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Office of Inspector General

ORIGINAL

Semiannual Report to the Congress

April 1, 1984—September 30, 1984

U.S. Department of Commerce

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UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

November 1, 1984

MEMORANDUM FOR THE SECRETARY

SUBJECT: Office of Inspector General
Semiannual Report to the Congress

Attached is my Semiannual Report to the Congress for the period April 1 to September 30, 1984.

The report, which is required by the Inspector General Act, gives an overview of our activities during that six-month period. It summarizes the areas of departmental activity we addressed and the problems we found, together with the recommendations we made to correct these problems.

In late fiscal year 1984, we began a new approach to auditing the Department's 27 financial assistance programs. It works this way: each year, we pick five to ten of these programs for review. Within each program, we do a thorough review of a substantial number of individual awards, choosing them on a statistically valid random basis. We then issue a comprehensive audit report which (1) sums up our findings about how the recipients have used the award money and (2) evaluates the efficiency, economy, and effectiveness of the agency's management of the overall program.

If we encounter serious problems with any award, we do not wait for completion of the program review but immediately submit a separate report on that project. We may do a special financial audit and/or, if we suspect criminal wrongdoing, an investigation. We also issue an interim management report when we think one is warranted.

This new approach—which I believe is unique in the IG community—combines elements of external and internal auditing. It should help us to identify systemic problems in program administration and bring these to the attention of senior program officials so that they can exercise preventive management. At the same time, it in no way detracts from our ability to independently pursue cases of potential fraud or egregious waste or abuse.

Section 5 of the Inspector General Act requires that you transmit this report to the appropriate committees of the Congress within 30 days of its receipt, together with any comments you wish to make.

Sherman M. Funk
Inspector General

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GLOSSARY OF ACRONYMS

ADP	automatic data processing
CCF	Capital Construction Fund
DCAA	Defense Contract Audit Agency
EDA	Economic Development Administration
EPA	Environmental Protection Agency
GSA	General Services Administration
GTR	Government Transportation Request
IG	Inspector General
ITA	International Trade Administration
ITS	Institute for Telecommunication Sciences
MBDA	Minority Business Development Agency
NASA	National Aeronautics and Space Administration
NBS	National Bureau of Standards
NGS	National Geodetic Survey
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
NWS	National Weather Service
OA	Office of Audits
OFA	Office of Federal Assistance
OI	Office of Investigations
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTAA	Office of Trade Adjustment Assistance
PCB	polychlorinated biphenyls
PCIE	President's Council on Integrity and Efficiency
PTF	Public Telecommunications Facilities
PTO	Patent and Trademark Office
USGS	United States Geological Survey

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EXECUTIVE SUMMARY

This report, submitted pursuant to the Inspector General Act of 1978, describes the work of the U.S. Department of Commerce Office of Inspector General between April 1 and September 30, 1984. Because the mission of our office is to identify problems and weaknesses and to prevent and detect fraud, waste, and abuse, we naturally focus our efforts on those areas where we suspect there are deficiencies. Thus, a semiannual report on our activities tends to paint a distorted picture to the extent that it emphasizes the problems we have found.

To be sure, we have identified programs and operations where improvements are needed; however, there are many others that are being performed extremely well and that reflect extraordinary levels of commitment by managers and staffs. We are pleased to report also that, with very few exceptions, program officials throughout the Department have initiated corrective actions in response to the findings and recommendations of our audit, inspection, and investigating teams. To cite just a few in this last reporting period:

- The Under Secretary for International Trade informed us that our review of the Department's export expansion efforts identified a number of pivotal management issues and that he agreed with the intent of most of our recommendations.
- The Director of the Minority Business Development Agency has initiated actions to remedy the deficiencies noted in our review of the Minority Business Development Center program.
- Officials of the Patent and Trademark Office took prompt and effective action to deal with issues identified in our inspections there, which covered physical security and the procedures of an examining group.
- The Director General of the U.S. and Foreign Commercial Service has been responsive to our identification of problems in a series of inspections of International Trade Administration district offices and overseas posts.
- Officials of the Bureau of the Census, Patent and Trademark Office, and Minority Business Development Agency initiated prompt remedial actions to resolve issues identified in our reviews of their automatic data processing system development and procurement.
- The Assistant Administrator for Weather Services, National Oceanic and Atmospheric Administration, has used the results of our inspections in a tightening up of field office administrative activities.
- We have been pleased with the actions taken by the National Bureau of Standards' Director of Administration in response to several inspections of NBS activities.

We completed several major program reviews during this reporting period. We took a hard look at the Department's efforts in some crucial areas: expansion of exports, assistance to minority-owned businesses, and implementation of the Emergency Jobs Bill Act of 1983.

The International Trade Administration's export expansion efforts are carried out at ITA headquarters in Washington, D.C., and by a worldwide network of field offices in U.S. cities and foreign countries. Our audit, which included interviews with 130 firms, revealed that (1) many firms, including some that had been visited by ITA trade specialists, were not aware of the broad range of services available from ITA; (2) district office performance reports relating to exports by small and mid-sized firms were very unreliable; (3) a sharper focus was needed on those firms most in need of counseling, to avoid waste of ITA resources; (4) ITA's overall effectiveness was being hurt because efforts of individual units were often uncoordinated; (5) district offices did not receive adequate 'targeting' data from ITA headquarters, identifying top foreign markets; and (6) there was considerable resentment in the business community about delays in the export licensing process caused by what firms regarded as needless red tape. (See page 7.)

The minority business development centers around the country, funded last year for about $33 million, are the cornerstone of the Minority Business Development Agency's efforts. We found that the centers' performance reports were often substantially overstated; nearly half of the client firms we contacted did not validate the accomplishments the centers claimed. We also found that major reforms are needed in such areas as goals, the kind of assistance furnished, funding patterns, and agency monitoring. In sum, we questioned the overall effectiveness of the program. (See page 5.)

The Economic Development Administration received $100 million under the Emergency Jobs Act of 1983. The primary purpose of the appropriation was to create immediate new job opportunities for the unemployed and underemployed—defined in the Act as those who had been unemployed at least 15 of the 26 weeks immediately preceding enactment of

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the bill. EDA decided to apply these funds through its existing public works program. In our review of 51 of the 211 Jobs Bill projects funded in fiscal year 1983, we found that (1) immediate new employment opportunities were not being created, (2) funds were not being disbursed rapidly, (3) projects were substantially behind schedule, and (4) those few new jobs that resulted were created at enormous cost to the taxpayers—about $20,000 *per month* of employment. EDA took exception to our overall finding that there are serious problems in selection and administration of projects.

In addition, we recommended termination of 16 of the 51 individual grants. Altogether, the 16 amounted to about $13 million. EDA has concurred in three of our recommendations and terminated $1.16 million in Federal funding. The other termination recommendations are pending resolution. (See page 5.)

Our automated systems group has been closely monitoring major computer system developments at the Census Bureau, the Patent and Trademark Office, and the Minority Business Development Agency. (See page 19.)

HIGHLIGHTS

Convictions	4
Indictments	7
Audit and Inspection Reports	439
Monetary Results of Investigations	$ 52,699
Savings—Management Commitments:	
• To Recover Funds	$ 2,739,450
• To More Efficiently Use Resources	$ 5,960,161

Here are brief descriptions of our other significant activities in the past six months:

Economic Affairs

- The Census Bureau has good control over the $7.5 million dollars it spends each year on travel. (See page 11.)
- The Census Bureau does not have adequate plans for safeguarding critical maps to be used in the 1990 decennial census. Without them, thousands of maps may be vulnerable to misplacement, fire, or theft. (See page 10.)
- In a two-count indictment, a former Census employee was charged with theft of Government property. (See page 30.)
- An OIG investigation of Census "curbstoning" led to the firing of an employee. (See page 31.)

Economic Development Administration

- Our audit of 28 Business Development and Trade Adjustment Assistance loans disclosed that many borrowers were not complying with their loan agreements or were not meeting the job creation/retention goals projected in their loan applications. (See page 13.)
- A joint investigation by the OIG and the Federal Bureau of Investigation resulted in an eight-count indictment against the owner of a New Jersey firm for submitting false information to EDA in connection with an EDA loan on which he later defaulted. (See page 30.)
- A North Carolina firm and its president were found guilty of bid rigging on a public works construction job by a Federal jury in Raleigh. (See page 29.)
- A $750,000 grant by EDA to a nonprofit Florida corporation was intended to create employment opportunities through low-cost revolving loans to minority and disadvantaged firms. Since 1980, the grantee has approved loans to 16 recipients totaling $750,000. But auditors found all 16 loans delinquent; seven recipients had failed to make even one payment. (See page 15.)
- An OIG investigation resulted in a Federal grand jury indicting the president of a New York clothing manufacturing firm for mail fraud in connection with EDA loans totaling $1.6 million. (See page 30.)
- A Jackson, Mississippi, EDA loan recipient pled guilty and was sentenced for falsely listing ownership of assets on his loan application. (See page 30.)
- An audit of a Florida economic development corporation led to EDA's deobligating $6,000 of grant funds. (See page 19.)

International Trade Administration

- We found during our inspection of the Mid-America Trade Adjustment Assistance Center in Little Rock that ITA had already taken corrective action on a number of issues raised by our earlier inspection of another assistance center. (See page 28.)
- An extensive overseas investigation yielded evidence of serious misconduct by a senior Foreign Commercial Service official. The official resigned when notified that ITA proposed to fire him. (See page 29.)
- We continued to monitor the $10 million Federal investment in the 1984 Louisiana World Exposition and the Department's plans to ensure an orderly closeout when the Expo ends. (See page 10.)
- Our inspection of the International Trade Administration's Nashville district office disclosed a well

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managed and efficient office. It also confirmed existence of a chronic problem that we have encountered at other district offices—unreliable reports of performance data. (See page 26.)

Minority Business Development Agency

- A business development firm in the Los Angeles area failed to provide adequate services to the minority community with the $1,237,800 in funds provided by the Minority Business Development Agency. (See page 15.)
- The operator of a minority business development center in Chicago grossly overstated its accomplishments in reports to MBDA. The operator, a nonprofit corporation, had received MBDA funding last year of nearly a million dollars. Its grant was not renewed. (See page 16.)
- Our auditors found an extremely low level of performance by a minority business development center in Denver. (See page 16.)

National Bureau of Standards

- Our inspection of the National Bureau of Standards' Facilities Services Division disclosed significant improvements in its management of personal property. However, NBS had more than $3 million worth of precious metals and gems in excess of its needs. (See page 27.)
- An inspection team found shop services provided by NBS' Fabrication Technology Division to be topnotch, but too expensive. (See page 26.)

National Oceanic and Atmospheric Administration

- The Charlotte, North Carolina Weather Service Office was found to be doing a good job with only a few minor administrative issues of concern to our inspectors. (See page 27.)
- Altered checks and other cost irregularities relating to $23,000 in National Oceanic and Atmospheric Administration funds were discovered during an audit of a fishery management council. (See page 19.)
- Our audit of NOAA's Space Environment Laboratory found that users of the Laboratory's geomagnetic forecasts and alerts were very satisfied with the services, but we found problems with satellite data distribution and computer access. (See page 10.)
- We found that closer application review and loan monitoring are needed in NOAA's Fisheries Obligation Guarantee program. (See page 17.)
- In response to earlier IG recommendations, the National Weather Service has improved its methods for alerting the public to severe weather conditions. (See page 13.)
- An unannounced inspection disclosed inadequate controls over National Marine Fisheries Service money used to pay informants and carry out undercover operations. NMFS addressed these problems promptly. (See page 27.)
- An audit of the National Weather Service's Upper Air program disclosed a need for improved hydrogen safety procedures and less costly shipping practices. (See page 11.)
- An audit disclosed material weaknesses in NOAA's handling of cost reimbursement to the National Aeronautics and Space Administration for the Geostationary Operational Environmental Satellite program. (See page 8.)
- Auditors found no major deficiencies in NOAA's control over travel. (See page 11.)

National Telecommunications and Information Administration

- Our inspectors recommended that NTIA develop a strategy for dealing with what we projected to be a major loss of professional staff through retirement at the Institute of Telecommunication Sciences in Boulder. The same inspection disclosed that NTIA had initiated action to comply with Environmental Protection Agency regulations for PCB-contaminated capacitors and transformers stored at three field sites in the Boulder area. (See page 24.)
- Audits of 13 Public Telecommunications Facilities program grants disclosed such problems as inadequate performance, poor accounting for and use of program funds, and failure to provide required matching funds. (See page 12.)

Patent and Trademark Office

- An inspection of the Patent and Trademark Office's physical security arrangements disclosed very poor security, particularly during regular working hours. We agreed that unique circumstances made adequate security difficult. In contrast, security was outstanding for the patent applications classified for national security purposes. (See page 26.)
- Our unannounced inspection of a PTO examining group disclosed that the system for controlling examiner performance and pending patents was being circumvented. (See page 23.)

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Departmental Administration

- Our inspection of the Office of Federal Assistance disclosed that OFA has helped significantly to improve the review and approval process for the Department's financial assistance awards. On the other hand, we found that OFA needed to improve its administration of grants for ITA and MBDA, and its development and implementation of grant policies for the Department. We could not substantiate the projected personnel savings that were to result from centralization in OFA of certain grant functions. (See page 24.)
- Debarment proceedings were started against a Washington, D.C. firm as a result of an OIG fraud investigation. If completed satisfactorily, this will be the first debarment in the history of the Commerce Department. (See page 31.)
- During this reporting period, our auditors and inspectors reviewed eight cash funds. The findings were less than encouraging. In addition to outright fraud, they found duplicate payments, improper purchases, and abuse of procurement regulations. (See page 12.)
- Because of the results of preaward screening of grants, loans, and other financial awards, the Financial Assistance Review Board added special conditions to awards totaling $4.97 million and denied clearance on awards totaling more than $2.03 million until audit questions have been resolved. (See page 14.)

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AUDITS

During this reporting period, we have completed several reviews of major departmental programs. Highlights of our audit activities follow.

PROGRAM AUDITS

Problems in the Delivery of Services to Minority Firms

The Minority Business Development Center program, funded in fiscal year 1983 for about $33 million, is the cornerstone of the Minority Business Development Agency's efforts. The centers are MBDA's primary vehicle for delivering management and technical assistance to minority businesses, and for helping them to sell their goods and services to buyers in the private and public sectors. There are more than 100 centers around the country.

We assessed MBDA's management of the program and found it inadequate. We also questioned the effectiveness of the program. Its goals, the kind of assistance it furnished, its performance reporting, agency monitoring, and funding patterns all needed reform.

- MBDA's ranking of the centers by percentage of performance goals achieved, to determine their refunding potential, encouraged a concentration on quantity rather than on quality of assistance. In effect, it produced a vast "numbers game."
  - Reported accomplishments were substantially overstated. Nearly 50 percent of the 218 client firms we randomly sampled did not validate the accomplishments reported by the centers.
  - Because of the emphasis on number of clients served, most minority business clients received neither substantive help nor comprehensive followup assistance from the centers.
- Unrealistic performance goals were hindering program effectiveness. MBDA had no rationale for center goals, nor had it established any clear-cut relationship or coordination with other agencies, such as the Small Business Administration, to help attain the national minority business goals set by the President.
  - We saw little correlation between goals and funding levels of the centers or, often, between goals and actual experience.
  - The achievement of goals in order to be refunded appeared to be the driving force behind the centers' operations.
  - Because merit pay plans of MBDA officials were linked to attainment of the centers' goals, officials had little incentive to be concerned about the qualitative aspects of services delivered or the accuracy of accomplishment reports. Indeed, this linkage between merit pay and goal attainment served as a disincentive to accurate reporting.
- Although MBDA had issued sound project monitoring instructions to its staff, these were not being carried out. Project monitoring by MBDA personnel was still superficial.
  - Performance evaluation of the centers was inconsistent and ineffective.
  - The reporting systems permitted duplicate reporting of some accomplishments.
- There was a severe mismatch between the funding levels of individual centers and the numbers of minority businesses in the geographic areas they served.
  - The allocation of funds was disproportionate to minority business needs. For example, the Los Angeles area, which received only eight percent of basic program funds, had more minority firms than the combined areas serviced by 51 centers that received 30 percent of basic funds.
  - The 51 centers that were funded at the minimum level ($153,000 each) spent so much of their money on administrative costs that they had little left for direct assistance to minority businesses.

In responding to our report, the Director of MBDA said that our review provided a useful and objective assessment of the program. He said there was general concurrence with our findings, and that planning and development activities were under way to remedy the deficiencies we noted.

Emergency Jobs May Not Reach Intended Targets

Our interim review of EDA's Emergency Jobs Appropriation Act program led us to conclude that (1) the Congress gave EDA a mission that was extremely difficult to accomplish within the timetable established in the legislation, and (2) this difficulty was compounded by serious weaknesses in the way EDA chose to administer its responsibilities.

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The Economic Development Administration received $100 million under the Emergency Jobs Act of 1983. The primary purpose of the appropriation was to create immediate new job opportunities for the unemployed and underemployed—defined in the Act as those who had been unemployed at least 15 of the 26 weeks immediately preceding enactment of the bill. EDA decided to apply these funds through its existing public works program.

In our review of 51 of the 211 Jobs Bill projects funded in fiscal year 1983, we found that (1) immediate new employment opportunities were not being created, (2) funds were not being disbursed rapidly, (3) projects were substantially behind schedule, and (4) those few jobs for the unemployed we did find were created at enormous cost to the taxpayers—about $20,000 *per month* of employment.

Review of the 51 grants prompted the OIG to recommend termination of 16 individual projects totaling approximately $13 million. EDA concurred in three of these recommendations and terminated $1.16 million in Federal funding. The other termination recommendations are still in the audit resolution process. The grants terminated were as follows:

- An Alabama city received $560,000 for a project. The city failed to disclose to EDA that it had also applied for funding from the Appalachian Regional Commission for the same project. When the Appalachian funding was approved, the city again failed to notify EDA. This violates specific provisions of the Public Works and Economic Development Act of 1965, as amended, which were designed to prevent duplicate project funding.

- A $288,000 grant awarded to a Texas city was in violation of the 1965 Act because the city receiving the funds was relocating a plant instead of creating new jobs. The relocation actually displaced 150 jobs in Puerto Rico. The Act specifically prohibits EDA from making grants that result in the moving of jobs from one labor area to another.

- The third grantee, an industrial corporation, awarded a project construction contract to a member of its board of directors. We recommended termination of the $312,000 grant because the relationship between the board member and the contractor represented a conflict of interest.

EDA was not implementing what we regarded as the clear congressional intention that projects funded under the Act create *immediate* new job opportunities. For example, although EDA incorporated a special term and condition into its Jobs Act awards specifying that work begin within 90 to 180 days of the award date, only 12 of the projects began within 180 days. In addition, despite congressional instructions that funds be disbursed as rapidly as possible to minimize impact on future budgetary deficits, 17 months after passage of the Act only $13 million of EDA's $100 million appropriation had been disbursed.

We also found that EDA had made virtually no effort to encourage grantees to target employment opportunities to the unemployed and underemployed described in the Act. Because the terms and conditions of the grants required no special effort to hire target individuals, there was no assurance that people who were unemployed 15 of the 26 weeks immediately preceding the Act would receive hiring preference. Also, since awardees were not required to keep and report information on the number of targeted individuals hired for projects funded under the Act, EDA will never be able to assess the effectiveness of its grants in generating employment opportunities for the intended group.

The 12 projects that had begun construction had generated 207 employment opportunities. However, according to contractors' and engineers' estimates, only 94 of those jobs were filled by previously unemployed individuals, and most of them were hired on a part-time and/or temporary basis. These 94 jobs consisted of 263 person-months of employment at a cost to the Government of $5.2 million, or nearly $20,000 per month of employment.

Our review also indicated that at least four projects, totaling approximately $1.8 million, would have been completed without EDA Jobs Act funds. We found that these grantees had local funding commitments for the project before they received the EDA award. In one case, the EDA regional office advised the grantee to turn back a State grant awarded to fund a portion of the EDA project.

Finally, we observed that staff monitoring of Jobs Act projects had been assigned a low priority by EDA staff. Projects were monitored on a "crisis management" basis. Problems that should have been detected in the grant application or in the early phases of work were often overlooked. EDA management had also done little to educate regional staff to the important differences between projects funded under the Emergency Jobs Act and projects funded under regular Public Works programs.

We found EDA's response to our interim report disappointing. EDA maintains that seasonality is the major cause of delay in the completion of most projects (and accompanying delays in disbursement). It also cites time pressures for fiscal year 1983 fund allocation as the reason for many project choices.

EDA has agreed to implement our recommendation that jobs generated by Jobs Bill projects be targeted to the unemployed group designated in the legislation. However, EDA has declined to establish a policy for limiting time extensions on Jobs Act proj-

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ects. We see this failure to reasonably limit time extensions as a major impediment to implementing the congressional intent to provide immediate new job opportunities.

Audit work in this area is continuing. A final report is due in the spring of 1985.

Export Expansion Efforts Need Better Focus

The Department relies on the International Trade Administration's programs to achieve several of its major goals. Helping U.S. firms to increase their exports is one of these goals.

ITA has established a variety of export-related programs. They are administered by numerous offices and divisions at ITA headquarters in Washington, D.C., and by a worldwide network of field offices in U.S. cities and foreign countries. The interrelated nature of these programs requires a close and continuing relationship between operating units.

A major OIG audit concentrated on reviewing the effectiveness of ITA's guidance for and coordination of these interdependent program activities. The audit included interviews with 130 firms. We found a number of areas in which operational effectiveness was being hurt because the efforts of individual units were neither productively focused nor mutually supportive. We also found the following problem areas:

- Many of the firms we contacted were not aware of ITA's broad range of services, which they could use to help develop their export potential. We expected this to be the case among firms that had never been contacted by ITA trade specialists. What we did not expect was to encounter the same lack of awareness at numerous firms that *had* been visited by trade specialists.

- Through extensive data collection and analyses, personnel at ITA headquarters had identified the foreign market areas with the best potential for U.S. exports. Much of this information, however, had not been made available to the district offices. Consequently, personnel at these offices were forced to expend limited staff resources trying to identify market information already available at ITA headquarters. In addition to being inefficient and duplicative, this fragmented effort yielded varying conclusions about the top foreign markets. It also did not allow a coordinated and focused approach on the part of the many district offices that were contacting and assisting U.S. firms.

- Similarly, separate mailing lists identifying firms interested in exporting specific products were maintained by many different ITA offices. Compounding the problem, these lists often were not shared with other ITA offices.

- Careful selection of companies to be visited is vital because district staff provide a variety of assistance and have limited time to spend on contacting firms. We found that district office trade specialists were making numerous repeat visits to some of the established exporting firms, but there remained a large untapped universe of potential exporters that had not yet received any ITA visits or counseling. We talked with personnel at a number of the exporting companies receiving multiple visits and found that some firms considered ITA's aid to be useful in increasing exports. Often, however, we were told that the visits had little or no effect on sales. We believe the value of multiple visits reaches a point of diminishing returns.

- ITA employs about 365 persons in 47 district offices and 23 post-of-duty stations around the country. We found that ITA lacked documentation showing a clear and supportable rationale for the location of its district offices and the number of persons assigned to each office.

- Top management was receiving reports from the district offices showing that trade specialists were helping large numbers of firms to enter new or expanded export markets. However, as we tested these reported accomplishments, firm officials often told us ITA had little or no role in stimulating actions related to export sales. In some cases, we found that no export sales were actually made.

- In assigning its staff to specific industry or special market support groups, ITA did not give sufficient consideration to those products with the highest export potential. A number of key product areas identified by ITA as having the best export prospects, such as computers and peripherals, had received no more emphasis than some offering considerably less export potential. Also, personnel were spread so thin that some key areas of responsibility were not being effectively covered.

- ITA's Overseas Business Reports provide basic background data for businesspersons who are evaluating potential export markets in specific foreign countries or regions. The usefulness of these reports had been seriously impaired because available copies were relatively old and thus did not reflect current economic and market conditions. Outdated publications offered little help to business representatives trying to assess current market opportunities and spot potential pitfalls in a distant country. This condition was particularly troublesome since it applied to a number of top export markets.

- Our audit was not designed to address export licensing issues, but this subject was repeatedly

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raised during our visits to U.S. firms. Managers told us that the red tape, delays, and cumbersome processes associated with the licensing system were causing export sales to be lost and potential foreign markets to go untapped. We have scheduled a major audit in fiscal year 1985 of the export licensing process.

In responding to our draft report, the Under Secretary for International Trade stated:

"We fully appreciate the Inspector General's review and recommendations regarding ITA's export expansion activities and related internal coordination factors. Overall, the Report has identified a number of crucial, pivotal management and program issues in a manner that reflects favorably on the quality of insight and analysis which the OIG team has brought to this task . . . ."

The Under Secretary agreed with the basic intent of most of our recommendations but felt that ITA's recent organizational realignments, which cluster industry sectoral work and marketing activity more efficiently, would rectify some of the problems we identified. We agreed that the new structure should help to coordinate ITA's various industry support efforts. However, we also thought that ITA still needs to ensure that increased emphasis and resources are focused on industries that offer the greatest export potential.

The Under Secretary disagreed with certain findings and took particularly sharp issue with our comments about misleading district office performance reports. We pointed out, however, that in addition to the information obtained during the audit, our inspections at five other district offices had identified the same kinds of reporting inaccuracies. Clearly, the problem is of substantial magnitude.

Unsupported Costs in Satellite Program

The Department's National Oceanic and Atmospheric Administration operates a Geostationary Operational Environmental Satellite program to observe environmental conditions on earth. The National Aeronautics and Space Administration handles the detailed design, procurement, and launch of satellites for NOAA on a cost-reimbursement basis. From 1976 to the present, NOAA has transferred to NASA more than $120 million for procurement and launch services under this program. Over the next decade, the total will rise to more than $700 million.

An OIG audit disclosed material weaknesses in NOAA's handling of the cost reimbursement to NASA. We found the following:

- Procedures and controls were inadequate to ensure the propriety of costs charged by NASA against the program. NOAA officials were routinely accepting, without adequate justification or explanation, NASA's and the contractors' costs.
- A lack of effective controls over reimbursements led to NASA charging the program for costs that were unsupported and, in some instances, inappropriate. We reviewed $2.3 million in NASA costs charged against the satellite and found that 29 percent (about $659,000) were either inappropriate or unsupported. For example, costs totaling $114,000 in fiscal years 1981 and 1982 were charged to help support a NASA data archival and dissemination activity. This activity, however, was not directly related to NOAA's procurement and launching of the spacecraft.

We also found serious deficiencies in NOAA's control over expendable and nonexpendable property needed to support the satellite program.

- Equipment valued at more than $40 million was not properly controlled. Periodic physical inventories were not taken as required and accounting records did not properly reflect the costs and location of equipment.
- NOAA's spare-parts inventories were not properly controlled or recorded in the accounting records. This problem was so pervasive it raised doubts about the viability of the inventory control system.
- Equipment had been raided for parts without the required written justification. Since the equipment dismantled for parts had been planned for future use as an entity, it was doubtful that the action could have been justified.

In commenting on our draft report, the Deputy Administrator of NOAA indicated that our recommendations would be implemented. He also said that (1) a task force has been established to develop a new agreement between NASA and NOAA to cover the satellite procurements and launch services, (2) NOAA has a project under way to improve the accounting for its personal property, and (3) a revised system will include a requirement that all equipment dismantling for parts be justified in writing. The Deputy Administrator expressed doubt about NASA's charging for unsupported and inappropriate costs, noting that NASA contracts are audited by the Defense Contract Audit Agency. We pointed out that these audits did not address the issues raised in our report and reaffirmed our conclusions in this area.

Vulnerability Assessments and Internal Control Reviews

Measuring only by staff-years spent, the technical assistance we give departmental offices on how to conduct vulnerability assessments and internal control reviews is relatively insignificant. But measuring by the potential effect of unidentified shortcomings and loopholes in program management, it looms large.

We have continued to work with the Assistant Secretary for Administration and the departmental offices to implement the internal control requirements of the Federal Managers' Financial Integrity Act and Office of Management and Budget Circular A-123. Our responsibility is, first, to provide the technical guidance needed and then to evaluate the results to make sure OMB and Commerce guidelines were followed.

At the National Bureau of Standards and the Census Bureau, we found that the 1983 reviews did not include program functions and covered only peripheral administrative areas. They did not include payroll, personnel, or other significant administrative areas. We recommended that these be included. We also recommended that both agencies begin to review their major programs. At NBS, we suggested the Computer Science and Technology or the Engineering Measurements and Standards programs. At Census, we suggested the Business Statistics, Foreign Trade Statistics, and State and Local Government Statistics programs.

Our evaluation at the Patent and Trademark Office disclosed that PTO staff did not perform any of the internal control reviews required to support the 1983 certification. They cited a 1981 review of internal controls, a 1982 vulnerability assessment, and the assurances of senior managers as the basis for certification of their internal control systems. Under OMB guidelines, these were not an acceptable basis for the PTO certification. We saw indications that PTO would not provide the necessary review coverage in 1984. PTO planned four internal control reviews for 1984 but they covered only one major administrative area and no programs. We suggested the inclusion of some of PTO's high-dollar, core mission activities.

At the National Technical Information Service, the 1983 review covered a very small part of the organization's internal control systems. Coverage of the major programs and administrative areas was not sufficient. Our preliminary assessment of NTIS's plans for 1984, however, indicated that coverage was significantly improved. Our later review showed that NTIS did review the internal controls of a major program function during 1984.

Last year, the Minority Business Development Agency reviewed internal controls over a large function, or event cycle, in its major program. This year, it reviewed two more important event cycles in the same program. As a result, MBDA has now reviewed the internal controls over about 70 percent of its program funds and 60 percent of its full-time employee positions—an impressive achievement compared with other agencies' records.

We see much improvement in the departmental units' internal control process this year. We will continue to work with departmental units and with the Assistant Secretary for Administration to make the process even better.

By the end of June, departmental offices had assessed 500 units. The units ranged from those responsible for relatively small functions spending little money, such as forms management, to major programs, such as the patent process. Assessments rank the vulnerability of units to fraud, waste, and abuse, forming the basis for the internal control reviews each office will perform over the next 30 months.

We worked closely with staff of the Assistant Secretary for Administration and developed a numbering system for ranking the vulnerability of each assessable unit. Using this system, we identified 200 major assessable units and chose 48 units for detailed review of vulnerability assessments. At least one assessment was chosen in each departmental organization.

Now nearly finished with our review of these assessments, we have found that most unit managers followed OMB and departmental guidelines. However, the process as structured is identifying vulnerabilities primarily in administrative areas. The Department's instructions do not lead or require managers to identify potential and real risks in major program areas. This is a significant shortcoming. We will continue to work with the Assistant Secretary's staff to improve the guidance so that the vulnerability assessment process addresses the Department's major programs.

During this reporting period, we reviewed six reports on internal control reviews completed by departmental agencies. Several more reports will be completed by the end of December. In general, we found both the reports and the reviews well done.

We did our own internal control review at the National Geodetic Survey. NGS conducts field surveys and carries out research and development to improve the collection and dissemination of geodetic data, and to further the understanding of dynamic earth processes. NGS also provides Federal standards and specifications for conducting geodetic surveys and for developing and applying new survey instruments. It sells some of its publications and disseminates some without charge.

We identified seven major event cycles at the National Geodetic Survey and chose three for detailed review. We selected these three because together they formed a complete cycle of acquiring, processing, and disseminating the data that is NGS's reason for being. We also considered these three cycles inherently vulnerable—in need of strong controls.

We developed a plan to complete the detailed review in approximately six weeks. We then studied the program, collected significant background information, and interviewed NGS personnel. This gave

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us a basis for evaluating the system's overall controls. After the evaluation we had a pretty good understanding of the controls that were needed. The next step was to run a test to see if the needed controls were actually in place and were providing a reasonable level of control.

We found that the controls were generally adequate but they needed some improvements. Specifically, additional written procedures were needed to guide employees in data acquisition, relatively minor improvements could be made in controls over the data, and additional controls were needed over the collection and handling of the funds from the sale of geodetic data. We are drafting an internal control report for NGS management.

We worked so closely with NGS on this internal control review that it was, in effect, a joint project. The area reviewed is extremely complex and technical and we relied heavily on NGS personnel. Their participation was vital to the success of the project.

Satellite Broadcasting of Solar Data Catching on Slowly

The primary mission of NOAA's Space Environment Laboratory is to monitor the 11-year sun cycle and issue solar and geomagnetic forecasts and alerts. The Laboratory is the national and international center for maintaining data and predicting activity on the sun's surface. We reviewed the forecasts, alerts, and research and found them effective except for two aspects of distribution.

The Laboratory uses shortwave radio broadcasts, mail, computer links, teletype, telephone, and satellite broadcasts to distribute forecasts and alerts. Although satellite broadcasts hold great potential, few users have signed up to receive the service.

Satellite broadcasts have been used since April 1984 to reduce the labor-intensive and time-consuming task of telephoning and telegraphing users of forecasts and alerts. Satellite broadcasts are more costly, however, for both the users and the Laboratory. Users must pay about $200 in monthly rental fees for special receivers and a $400 charge for installation—all for a service previously received free. After six months of operation, only eight users, or less than 10 percent of those receiving telephone and telegraph alerts, had subscribed for satellite broadcasts.

Since the satellite broadcasts cost more than $50,000 a year, we recommended that NOAA stop them unless additional users sign up. NOAA agreed with our recommendation and promised to review user acceptance of satellite broadcasts after 12 and 24 months of operation. NOAA projected that a customer base of 50 users would allow cost recovery.

About 45 users have access to the Laboratory's computers. At the time of our audit, these users had unlimited free access. We recommended that NOAA charge fees for computer access and NOAA agreed.

Louisiana World Exposition

We continued to monitor the $10 million Federal investment in the 1984 Louisiana World Exposition. The Federal role in the Expo has been administered by the International Trade Administration. In promoting exhibits for the U.S. Pavilion, ITA contacted the National Oceanic and Atmospheric Administration for information and ideas to be used in exhibits related to fresh water, rivers, streams, and weather.

A businessman complained to us that a NOAA employee had led him to believe that his firm could place an exhibit in the U.S. Pavilion. After making specific plans and incurring design costs, the businessman learned that no private firms would be exhibiting in the U.S. Pavilion.

We followed up the complaint with a survey of the methods used by ITA to coordinate with NOAA on the exhibits to be placed in the U.S. Pavilion. We found that, although ITA recognized the importance of such interaction, no clear understanding existed about what to expect from NOAA.

We recommended that for the Chicago World's Fair in 1992 and other future international expositions, ITA provide written guidelines to other Federal agencies at the time of initial contact, clearly describing the assistance expected of them. We also recommended that ITA follow up with each agency to ensure that roles are being performed as agreed to. ITA took prompt action to implement our recommendations by developing written guidelines for future interagency contacts.

We are also monitoring the closeout of the Expo. Our auditors have reviewed the controls in place for the Department's property at the U.S. Pavilion. We found that exhibit inventory records were inaccurate and incomplete. We also found some poor internal control procedures that would make it easy for someone to cover up missing items. ITA officials and the Department's property management people have initiated action in both of these areas.

In responding to ITA's concern about theft and pilferage in the International Pavilion and foreign exhibits, we suggested that the Expo be persuaded to adopt the excellent closeout plan prepared for the U.S. Pavilion by the Department's security officials.

Cooperative Mapping Operations Need Guidelines

The Census Bureau provides population, housing, and economic statistics for the Nation and its States,

counties, places, census tracts, and city blocks to the Congress, the executive branch, and the public. The Bureau uses maps showing streets, railroads, streams, and other features to specify the location of each residential and commercial unit.

The Bureau has entered into an agreement with the United States Geological Survey under which USGS will provide, in digital (computer readable) form, base maps of the continental 48 States. While USGS prepares these digital maps, the 12 regional Census offices will manually collect other data, which will be used to edit and update the USGS product. During fiscal years 1984 through 1986, the Bureau's regional offices will be responsible for updating more than 55,000 geographic maps.

We found that the Census Bureau had no written guidelines for safeguarding digital maps during the updating, storing, and mailing processes. Unless safeguarded, thousands of maps will be vulnerable to misplacement, fire, or theft. If large numbers of these maps are damaged or lost, the Bureau may have a difficult time meeting its 1990 Decennial Census deadlines.

Before the 1980 Decennial Census, some maps were lost through fire. In spite of this experience, we found maps stored on open shelves in three regional offices, with no protection from fire or theft. Also, no written plans existed to protect maps during mailing to the digitizing centers.

We suggested that Census make backup copies of the maps to protect against loss, or at least use certified or registered mail. Because the cost of duplication is high, Bureau officials preferred the latter. They agreed that written guidelines are necessary to increase security over the handling and mailing of maps.

Census Travel is Generally Well Controlled

The Census Bureau spends about $7.5 million a year on travel. We found that Census generally has adequate controls over travel, but some improvements could be made. We noted the following:

- Limited open travel orders were automatically renewed even when travelers did not do the required amount of travel (continuous or at least two trips per month).
- Contracted lodging and meal costs were not accounted for as travel expenses, which understated travel costs
- Attendance at professional association conferences was not monitored, which could allow excessive numbers of attendees and increase costs.

To improve its control over travel orders, we recommended that Census:

- Review each individual's travel quarterly and document the amount that was performed on a limited open travel order, renewing open orders only for those individuals who have done sufficient traveling to meet Bureau and Department requirements.
- Revise the administrative manual to include instructions for allocating the costs of contracted lodging and meals to travel.
- Track travel orders for conference attendance for six months as a test period, then evaluate the test results to see what additional controls are needed.

In responding to our report, Census told us of actions that had been taken. We believe these actions will correct the problems identified.

NOAA Travel Controls Good but Could be Better

We also reviewed NOAA's controls over travel, finding no major deficiencies. We identified two areas of weakness:

- Little control was exercised over the attendance or costs of professional conferences.
- The field offices were not using consolidated Government Travel Requests; this meant additional administrative costs were being incurred.

NOAA implemented our recommendation to instruct all its offices to use consolidated GTRs whenever possible. NOAA is also modifying its accounting reports to show the costs of travel for conferences.

We recommended that NOAA require operating units to provide reports on planned conference travel, including the number and names of attendees. NOAA did not agree with this recommendation. saying that a central review of domestic conference travel would be impractical. We were not convinced that this would be as difficult a problem as suggested and advised NOAA that we stood by our recommendation.

Upper Air Program Needs to Improve Safety and Shipping Practices

The National Weather Service's Upper Air program needs improved hydrogen safety procedures and less costly shipping practices. Hydrogen gas, an economical alternative to helium, is used for weather balloons. It is dangerous, though, and current safety procedures are not adequate. Formal safety training is unrealistic and regional safety checks are infrequent. We found problems in several areas:

- Hydrogen gas leaks may go undetected. Most stations lacked an effective way to spot leaks,

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even though hydrogen gas detectors are commercially available.

- Hydrogen-fueled explosions were possible from sparks caused by metal roller doors and the tools used in radiosonde shelters.
- Flammable materials—paper, string, and wood—were abundant and not protected from open flame or explosion.
- Fire preventive measures—such as no-smoking signs, secure fasteners on hydrogen cylinders, and fire extinguishers—were insufficient.
- Emergency procedures did not cover the greatest potential hazards—leaks, fires, and explosions.
- Classroom training unrealistically used helium, when most stations had converted to hydrogen, and on-the-job safety training was not documented or evaluated by examination.

Hydrogen gas, like gasoline, can be handled safely if reasonable precautions are taken. To date, no serious injury or loss of life has occurred at NWS through hydrogen accident, but to reduce the ever-present risk, the safety program should be improved.

We also found that unnecessary shipping and storage costs were being incurred for weather balloons. We recommended "drop shipping," which avoids warehouse storage and handling costs. We also recommended a revision to balloon specifications, which now unnecessarily restrict competition in NWS' procurement of the balloons.

The Assistant Administrator for Weather Services agreed with our recommendations.

Public Telecommunications Facilities Program Continued

The Public Telecommunications Facilities Program provides matching grants for the planning and construction of telecommunications facilities to extend service to as many Americans as possible. The National Telecommunications and Information Administration has overall responsibility for the program, including the monitoring of grantee performance. The departmental Office of Federal Assistance is responsible for administration of the individual grants.

In an audit report last year, we concluded that funding of PTF grants beyond fiscal year 1983 would not be cost-effective. The vast majority of the U.S. population was already serviced by existing public television and radio facilities, and the cost of expanding coverage to the rest of the country would be extraordinarily high per viewer or listener. We recommended to NTIA that the program be terminated. The Congress has not gone along with NTIA's repeated proposals to terminate the program and authorized funding in fiscal year 1984 of $11.9 million. However, at least partly as a result of our report, the Congress directed that the 1985 PTF program be reoriented toward rehabilitation and upgrading of present facilities rather than construction of new facilities.

We completed audits in fiscal year 1984 of 13 grants totaling $5.8 million. We found a number of problems. Eight of the 13 grantees maintained excess cash balances. One had an average balance of $42,700 in excess funds over a six-month period.

Five grantees experienced performance problems and delays; eight did not properly safeguard equipment purchases; four did not follow prescribed procurement procedures; five did not submit progress and financial reports; and three did not provide matching funds as required.

Inadequate administrative and monitoring procedures within the Office of Federal Assistance and NTIA are responsible for these deficiencies. Both organizations have indicated that they will take corrective actions on the issues we identified.

Cash Funds—Convenient but Highly Vulnerable

Cash funds are used by Department of Commerce units throughout the country as a convenient and less costly way of paying for small, miscellaneous expenses. However, these funds are highly vulnerable to abuse.

During this reporting period, our auditors and inspectors reviewed eight cash funds. The findings were less than encouraging. Because of information we received from a Center official, OIG investigators, working with the Secret Service, discovered that a Commerce employee had illegally obtained more than $10,000 from the cash fund at the Western Administrative Support Center in Seattle. As they traced the employee's actions, they found many violations of both Treasury and Commerce regulations. As a result, our auditors conducted a detailed review of the fund. In addition to outright fraud, they found duplicate payments, improper purchases of food and equipment, and abuse of procurement regulations. The violations were the result of inadequate management review and control of fund activities.

Weaknesses were also found in controls over cash fund operations at the Eastern Administrative Support Center in Norfolk, Virginia, and at the National Weather Service Training Center in Kansas City, Missouri. We made recommendations to correct the deficiencies we found, and to ensure that adequate internal controls would be put in place over the millions of dollars moving through cash funds.

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Commerce-EPA Cooperative Efforts

In cooperation with the Inspector General at the Environmental Protection Agency, our auditors reviewed interagency agreements between EPA and two Commerce agencies—the National Oceanic and Atmospheric Administration and the National Bureau of Standards.

We reviewed three agreements with NOAA and three with NBS. Our auditors wanted to find out if the internal controls over the funds obligated and disbursed by the two agencies were sufficient to ensure that the costs associated with the agreements were identified and appropriate. We found that the controls were adequate to properly identify the costs that were directly attributable to the agreements.

NWS Moves to Improve Lightning Warnings

In a finding that has significance to every one of us, we reported on September 30, 1983, that the National Weather Service system of alerting the public to flash floods and hazardous lightning conditions needed major improvements. NWS alerts were not covering the hazardous lightning accompanying severe thunderstorms or tornadoes. Yet, lightning has killed more people in the last 40 years than hurricanes, tornadoes, or floods.

We recommended that NWS share its up-to-date lightning technology, take the lead in forming a national lightning detection system, and expand detection coverage to heavy-thunderstorm-prone areas of the United States.

We are pleased to report that NWS has acted on our recommendations. Specifically, NWS has:

- Provided lightning data to the National Severe Storms Forecast Center in Kansas City, Missouri, to improve severe weather watches; and instructed the Center to include in its public watch warnings a sentence conveying the danger of lightning.
- Arranged for the Weather Service to receive data from lightning detection systems operated by other Federal agencies.
- Encouraged weather forecast offices to use lightning information in public announcements of severe weather.
- Planned to revise the Weather Service operations manual to instruct offices to emphasize the dangers of lightning in severe and special weather statements.
- Begun a review that should provide a basis for improved coordination of Federal lightning detection systems.

FINANCIAL ASSISTANCE REVIEWS

Similar Problems Noted in Reviews of EDA Loans

Between July 1983 and June 1984, we completed 28 reviews of EDA Business Development loans and Trade Adjustment Assistance loans that were awarded prior to fiscal year 1982. We found that many borrowers were not complying with loan agreements and/or were not meeting the goals projected in their loan applications.

The Economic Development Administration's primary objective in making these loans was to create and retain long-term employment opportunities. Thus, an important factor in loan approval was the number of jobs the money was expected to create. We frequently noted a wide disparity between jobs predicted and jobs attained. At least 18 of the 28 borrowers we reviewed had this problem. Only five had actually attained employment goals. Nine created some new jobs, but not as many as they had anticipated. Eight actually *lost* employees.

- An engineering company received a loan in 1979, expecting to have jobs available for 486 people. It managed to reach that goal temporarily, but then went bankrupt. Its March 1983 employment was zero.
- A wooden giftware and novelty manufacturer received $2 million in working capital funds. In 1981 it reported 230 previously existing jobs and 174 new jobs. Employment fell throughout 1983, however, and the company averaged only 127 jobs for the year.
- A food equipment leasing company expected that the loan would make 190 jobs available. By the end of 1983 it was bankrupt and employed no one.
- An antenna manufacturing company that borrowed nearly $580,000 from EDA was employing 21 people, 56 less than predicted in the loan application. The cost of the jobs created/retained in this company was more than $27,000 per job—170 percent more than EDA's guidelines of $10,000 per job.

Loan covenants were violated in 21 of the 28 loans reviewed. Ten were serious violations; for example:

- A shoe manufacturer borrowed $500,000 for working capital. Contrary to the loan agreement—which stated that loan proceeds were to be used for operating expenses only—the borrower immediately deposited $250,000 in time certificates of deposit. Because interest income from the CDs went to the borrower, he earned about $32,000 more in interest than he paid to EDA in loan interest over the same period.

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- A food service company had received $382,500 from EDA for working capital to expand its operations. A loan convenant restricted the loans it could make to individuals to $2,000 per borrower at any one time. Ignoring the covenant, the company advanced the president $230,782. Other covenants were also violated. The company was in serious trouble and delinquent on its EDA loan by five months, with a loan balance of $143,800.

Borrowers frequently move, sell, destroy, or fail to adequately protect the collateral for their EDA loans. This weakens EDA's security position and causes losses when borrowers default and loans are liquidated. We found that EDA was in a weak security position with nine of the borrowers we reviewed. In eight other cases, EDA did not have current knowledge of collateral for its loans. For example:

- In October 1980, EDA guaranteed a $400,000 loan to a partnership to renovate a hotel in Miami Beach. Since that date, the hotel has been sold twice in violation of the loan agreement and despite EDA's refusal to approve the sales. Both the repayment of the loan and EDA's collateral position may be in jeopardy.
- EDA guaranteed a $2.1 million loan to an engineering firm, with a lien on plant assets as collateral. However, the borrower moved some of these assets before declaring bankruptcy. EDA was unable to locate all of the collateral and recovered less than 40 percent of the outstanding principal.
- A stove manufacturer with an EDA loan sold machinery and equipment worth $20,361 for only $8,500. The Certified Public Accountant told us that other equipment had been sold earlier for $9,000. These assets had been pledged as security for the EDA loan and were not supposed to be sold without EDA's written approval.

Note: Trade Adjustment Assistance loans since fiscal year 1982 have been awarded by the International Trade Administration. However, the loans we reviewed had been awarded by EDA before that year and are being serviced by EDA.

Preaward Screening and Name Checks Pay Off

Three years ago, the Department established a system for screening all grants, cooperative agreements, loans, and loan guarantees prior to award. We participate in this system by checking the audit and investigative history, if any, of the proposed recipients, including a review to determine whether they have any outstanding debts due the Department. Upon request, or as appropriate, we also conduct name checks. These include a look at the credit record of a company and its top three officers, and a determination of whether any of the latter have a criminal record. Our findings are forwarded to the Office of Federal Assistance, which presents them to the Department's Financial Assistance Review Board—the final clearance point for proposed financial assistance awards.

In the second half of fiscal year 1984, we screened the investigative and audit history for 1,813 processed awards, 1,184 more than during the first half. As a result of this work, the Financial Assistance Review Board added special conditions to awards that amounted to more than $4.97 million and denied clearance on awards that amounted to more than $2.03 million until accounts receivable questions resulting from audits have been resolved.

In this past reporting period, we received 269 requests for name checks (from EDA, ITA, and MBDA), and completed and reported the results of 433 name checks.

Available Loan Funds Go Unused

EDA awarded $5 million to a planning and development commission in Georgia for implementing an economic adjustment program in an eight-county coastal area. The money in turn would be loaned to a seafood processing plant that was losing its parent organization, and would prevent the closing of plant facilities employing 855 people. Loan repayments would be used to set up a revolving loan fund, which would then provide economic assistance loans through a subgrantee. The grant was amended to include an additional $342,500 for interim administrative financing. We later learned that the actual unstated intent of the amendment was to provide supplemental funds for new loans.

At the time of our audit, the revolving loan fund had about $1 million available for loans and expected to receive about $500,000 more in the next eight months from loan repayments and investment income. The subgrantee had no definite plans for awarding the money. This, plus the fund's history of making relatively few loans, indicated to us that either the loan policy followed was too conservative or no significant market existed in the coastal area for EDA's program.

According to loan administration personnel, about 150 applications for loans had to be rejected during January 1982 to June 1983 alone because the applicants' credit was either good enough to qualify for conventional loans or too poor to provide a reasonable chance of repayment. They predicted more loan recipients in the future because there had been heavy fire destruction at a large shopping mall.

We recommended that EDA:

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- Recall the $342,500 provided for administrative financing if the actual intent of the supplemental loan funds was not justified.
- Review targeted loan groups to see if the potential market for the revolving loan fund can be expanded.
- Require quarterly status reports by the subgrantee on its efforts to make additional loans.
- Coordinate with the Treasury Department to see if unneeded funds can be returned and then redrawn as necessary under a letter-of-credit agreement.

The grantee subsequently justified the actual intent of the $342,500 to EDA's satisfaction. We concurred, provided the subgrantee submit the required quarterly status reports.

The audit also disclosed that the grantee had treated certain uncollectable accounts as grant administrative costs. We recommended that the grantee (1) obtain specific approval from EDA to write off each uncollectable account and treat $136,000 as an "extraordinary item" rather than a normal operating expense, and (2) revise its financial statements by deleting a $210,000 allowance for bad debts reserve and increasing the grant fund balance. EDA and the grantee concurred and took corrective action.

Two Firms on Shaky Ground

Heavy competition and limited markets can cause hard going for small businesses. Of special concern to the International Trade Administration are textile and apparel manufacturers. Trade Adjustment Assistance loans ease pressure on struggling manufacturers.

We audited two of these loans. One was for $605,000 to a North Carolina manufacturer of women's and children's clothing. The firm's operations had dwindled from the time it applied for the loan and the time of our audit. The loan, which was to generate working capital, was delinquent by 11 payments ($122,000).

We found ITA's monitoring of the loan had been minimal. The firm had not submitted the required financial statements, which would have been an effective tool for ITA's monitoring.

The auditors felt that the backlog of orders was significant enough to improve the firm's financial condition if certain management improvements were made. We recommended that ITA (1) obtain a 100-percent personal reimbursement guarantee from the major stockholder, (2) insist on regular financial statements, and (3) increase its monitoring activities.

The second audit was a $290,000 ITA loan to a women's clothing manufacturer in Puerto Rico. Although the firm had expected to grow as a result of the loan and double its 50-percent employment, it had not. Its net worth had, in fact, plummeted from fiscal year 1982 to 1985. Auditors found the firm to be technically insolvent, out of cash, and severely behind in its loan payments.

We recommended that ITA (1) deobligate $10,000 that had not been drawn down, (2) secure a corrected guaranty from one of the major stockholders to ensure its legal sufficiency, and (3) realistically evaluate the amount that could be realized should liquidation of the loan become necessary.

Poor Performance, Wasted Resources

A nonprofit corporation was awarded a $1,237,800 Minority Business Development Agency cooperative agreement to operate a business development center in the Los Angeles area. The firm's primary task was to furnish management and technical assistance to qualified minority businesspersons.

Our interim review disclosed that the grantee's performance was not satisfactory. The center failed to provide services that were responsive to client needs. The firm claimed accomplishments, but these were often unsupported and exaggerated.

Further, the grantee charged an excessive amount of professional time to administration. Only about 40 percent of professional time was spent on client assignments, while 46 percent was charged to administration. We attributed this low productivity to poor management.

Because of the extent and seriousness of the issues raised, we recommended that MBDA start terminating the grant unless the center's performance dramatically improved and the firm supported its claims with documentation.

MBDA later sent a review team to the center to follow up on the audit issues. The review team concurred with our audit recommendations and gave the center 45 days to take corrective action.

Revolving Loan Fund Terminated

A $750,000 grant by the Economic Development Administration to a nonprofit corporation was intended to create employment opportunities in the Florida Panhandle. Through a revolving fund arrangement, the corporation offered low-cost loans to minority and disadvantaged firms and tried to help local groups develop new industries compatible with residents' skills.

Since September 1980, the grantee had approved loans to 16 recipients totaling $750,000. But auditors found all 16 loans delinquent; seven recipients had

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failed to make even one payment. The grantee said foreclosure proceedings had been started, but did not substantiate this by documentation. Accounting records were in such poor condition, and so much documentation was missing, that the auditors could not say whether the goals set for the grant were even marginally achieved.

We recommended that EDA terminate the grant and recover all possible funds up to $825,773 (the original $750,000 plus $75,773 of unsupported administrative costs). EDA officially did so in September 1984.

High Expectations, Disappointing Progress

Another approach to unemployment has had uncertain success so far. IG auditors reviewed program accomplishments of a Washington, D.C. nonprofit corporation formed in August 1982. With two grants totaling $690,000 from the Economic Development Administration, the corporation planned to match minority entrepreneurs with nontraditional business opportunities.

Our review disclosed that the grantee had done little to identify new business opportunities or potential entrepreneurs, nor had it adequately explored sources of financing for future ventures. Auditors commented that the corporation had not sustained a level of activity commensurate with its professional staff of five, or with the expectations generated by the caliber of its board of directors.

We recommended that the grantee receive no new EDA funds unless and until it can provide convincing evidence of progress. As a result of our review, the grantee has developed a new strategic plan and EDA has taken steps to improve its monitoring and oversight during the remaining grant period.

Accomplishments Overstated, Performance Unsatisfactory

A review of an MBDA-funded business development center operated by a Denver firm revealed an extremely low level of performance. The center achieved only 43 percent of its goal for management and technical assistance hours, 17 percent for new business starts, 53 percent for contracts secured, 37 percent for capital opportunities, and zero for cost sharing, buy-outs, and joint ventures. This was significantly below the 86-percent minimum performance level considered satisfactory.

Further, many of the accomplishments reported were improper; others were undocumented and overstated. For example, although one firm claimed that 10 businesses were established and became operational after direct assistance from the business development center, only four of the 10 qualified as new business starts. Three existed before center involvement and three were only proposed—they never became operational.

The firm claimed that one buy-out was accomplished through center assistance. (A buy-out is a transfer of ownership in which an individual, partnership, or corporation acquires an operational business, assumes control of all its assets and liabilities, and continues to operate.) The claimed buy-out was actually a "sell-out" since the minority firm sold the business to a nonminority investor.

We recommended that a special MBDA monitoring team do a thorough review of accomplishments reported for the 1983-84 award period. We further recommended that, if the same pattern is found, the 1984-85 award recipient be selected competitively and the current grantee be excluded from the competition.

Funds Spent Outside Scope of Grant?

An urban reinvestment group was granted $500,000 by the Economic Development Administration so that it could make loans to correct severe economic dislocations caused by threatened or actual business closings in Boston, Massachusetts. An audit of the grant disclosed that the grantee had acquired land, buildings, and furniture totaling $214,802 that had not been included in the loan plan originally approved by EDA. Federal funds had been used to purchase a movie theater, commercial stores, and residential apartments—acquisitions that, in our opinion, were outside the scope of the grant.

We recommended that the grantee submit revisions to its loan plan along with documentation justifying that the property acquisitions being questioned met the revised plan's intent. If EDA does not approve the changes, it should take steps to recover the money used for purchasing the properties and the amount of property appreciation. We made several other recommendations, including some to strengthen financial management and internal controls. EDA is considering our recommendations.

Inflated Accomplishments Reported

A midwestern economic development corporation was awarded an MBDA cooperative agreement for $996,000 to operate a business development center in Chicago. The nonprofit corporation has been an MBDA recipient for 13 years, with an impressive record of serving the minority business community. When an MBDA monitoring team could not verify approximately $16 million of the contracts claimed by the corporation, we were asked to do a comprehensive review.

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We found that the corporation's actual accomplishments under the award were a fraction of those claimed. Accepted new business starts amounted to only 13 percent of the number claimed; business expansions only 49 percent; business saves only 39 percent; and secured contracts only seven percent.

The corporation also claimed to have brokered $23 million in State highway construction contracts awarded under the Surface Transportation Act of 1982. Actually, the assistance was funded by an Illinois Department of Transportation award. By counting some of the successes of other Federal, State, and local assistance programs as its own, the corporation had apparently achieved an incredible success record.

Because MBDA instructions to grantees contain numerous warnings that reporting of inaccurate data may result in termination of an award, we felt that the large-scale violation of reporting standards was inexcusable. We recommended that MBDA not refund the corporation's award. We further recommended that the $23 million in construction contracts be purged from MBDA's program accomplishments. MBDA did not refund the award and has purged the $23 million from its reported accomplishments.

Grantee Disregard of Regulations

The Economic Development Administration's Seattle regional office referred to the OIG a whistleblower's allegations of misuse of funds by an EDA grantee. Our review confirmed that grant funds had been invested in interest-bearing accounts and that property acquired with grant funds had been sold. Our review also found that the grantee disregarded Federal regulations, acted contrary to EDA instructions, knowingly failed to make proper disclosure to EDA of the proceeds from the interest earned and the property sale, and has yet to remit moneys owed to the EDA.

We recommended that EDA immediately take action to collect the $53,766 in interest earned on the investment of grant funds and to recover $42,232, which represented EDA's share of the property sale. We also urged EDA to suspend all disbursements to the grantee until the money is received. EDA did so and told us that the grantee has provided a schedule for repayment of the interest.

Closer Monitoring Needed of Loan Applications

The National Oceanic and Atmospheric Administration's National Marine Fisheries Service helps American fishermen when they need long-term financing. The Fisheries Obligation Guarantee program backs private loans to build, rebuild, or purchase fishing vessels and shoreside facilities. The Fisheries Loan Fund gives emergency assistance to fishermen so they can avoid default on loans and continue to operate their boats when times are hard.

A California fisherman received help under both programs. His $120,000 private loan to help build and equip a 61-foot commercial fishing boat was guaranteed by NOAA. Two years later he applied for and received a $19,000 direct Federal loan to make interest and insurance premium payments that he really didn't need.

When IG auditors reviewed the loan, they found that the loan should have been denied. NOAA had approved the loan without requiring adequate justification and cost information. Loan administration and monitoring were also inadequate.

We recommended that the Fisheries Service monitor the borrower more closely. Since security for both loans is the boat itself and the boat appears to be in good working condition, we see no immediate reason to fear default on this loan.

Unresolved Deficiencies in Public Works Projects

The Local Public Works program, administered by the Economic Development Administration, has been closing down its operations over the past year. Congress required that we perform financial and compliance audits on all Public Works grant awards exceeding $120,000. We have now completed most of these audits for the smaller grants. However, as we review the reports of outside audit organizations on some of the larger, more complex grants, we see some significant problems. In some cases, we question whether work performed was needed or was ever authorized by Federal program managers.

In the case of a $1 million grant to construct a public building in a Pennsylvania city, the audit showed that so many major changes were made by the contractor that the completed building was very different, both inside and outside, from the original design. Subcontractors made major changes to heating, ventilation, air conditioning, electrical, and plumbing work. Questionable procurement practices were also noted: for example, an $18,600 contract was awarded by the city for an emergency generator. A much larger generator was installed than the original contract specifications called for—but no justification was provided for increasing the size. Also, unauthorized city employees initiated and processed a $7,175 contract change order for draperies. These and other deficiencies were disclosed by a local newspaper. There are allegations that the city misspent about $1.5 million in other Federal and State funds.

Because of the extent of the deficiencies identified, we recommended that EDA's technical personnel do an on-site engineering review of all work performed

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to see whether it was justified. We also recommended that EDA suspend further drawdown of funds on any other outstanding Commerce Department grants if additional review discloses evidence of irregularities or gross mismanagement of Federal funds.

In another Pennsylvania city, an audit team found material deficiencies in the control and accountability over more than $1 million awarded to rehabilitate housing units. There was no assurance that the contractors had followed the intent of the project and the contract specifications. The auditors found loose receipts for this project commingled with funds from other city projects that were operating at a deficit. It looked as if supporting documentation had been destroyed for $82,545 of construction costs. Federal funds had been drawn in excess of need and quarterly reports had not been prepared.

In Michigan, $4.2 million was granted to a city for construction of a pedestrian mall with a four-lane bus and emergency vehicle transitway. Three years after award, the city changed its plan and opened the transitway to all types of traffic to give merchants the benefit of greater accessibility. Although this constituted a major change in the scope of the work, the city did not request approval for the change, which could render an unknown portion of costs ineligible for Federal funds. Auditors noted that $6,000 of electrical work performed did not relate to the project, and a final inspection and acceptance of the project on behalf of the Government had not been performed.

In all of these cases we are working closely with EDA's project managers to resolve the issues raised and to make sure that the use of Federal funds followed the intent of congressional legislation for the Local Public Works program.

Material Misrepresentation in Loan Application

The Economic Development Administration awarded a $300,000 working capital loan to a Montana manufacturer of prefabricated log home packages. The loan was to enable the company to restore jobs to 46 laid-off employees.

Our auditors found that the company's application had misrepresented the number of jobs lost. The application claimed that employees had been laid off. However, employee tax reports showed that the number of employees had remained relatively constant through 1979 and 1981. Company officials were asked to substantiate their claim but were unable to do so.

Loan terms and conditions allow EDA to declare any or all of the principal and accrued interest immediately due and payable if any representation made by the borrower is proven false in any material respect. We recommended that EDA make this declaration. Further, since EDA had relied on the borrower's representations when approving the loan request, we recommended that EDA verify critical applicant representations in the future to prevent reliance on false and misleading information. EDA is considering our recommendations.

Preventive Management

Award of a $100,000 cooperative agreement was postponed when an IG preaward audit revealed material weaknesses in the potential grantee's accounting system.

The Economic Development Administration proposed to fund a Washington, D.C. corporation's plan to promote export development by the States, using a mixed-media approach. We found, however, that the corporation's accounting system lacked vital documentation such as:

- Evidence of incorporation.
- Financial information regarding assets, liabilities, and capital structure.
- Basic accounting records.
- Written accounting procedures.

Further, our auditors were not given sufficient documentation to substantiate and determine the reasonableness of the proposed project's costs.

The corporation has begun corrective action. We are working closely with the program manager to make sure the deficiencies are fully resolved.

Possible Conflict of Interest

A nonprofit organization received an EDA grant of $150,000 to set up a revolving loan fund to finance business ventures in Brooklyn, New York. Our auditors found that the purpose of the program—to create and retain jobs—had been achieved. Selected loan recipients reported increases in both personnel and sales as a result of the loans and indicated satisfaction with the program and its services.

Loan management, on the other hand, did not receive as high grades. The grantee's March 1984 financial report was misstated by more than $8,000 because it credited 17 payments that may not have been received. Also, about $15,000 in interest income that could have been earned was not, because the grantee had no program for investing funds not immediately needed. Finally, we found that three loans totaling $45,000 were made to businesses whose owners had a relationship with the grantee—raising the question of a possible conflict of interest.

We made several recommendations to correct the deficiencies and EDA is considering them.

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Unused Funds Deobligated

We audited a $30,000 award by EDA to a Florida employment economic development corporation. The money was used to administer a revolving loan fund.

We determined that only $3,100 of the recorded costs were acceptable costs to the project. The most significant finding was that EDA could deobligate $6,000 that had not been disbursed to the grantee. EDA agreed. Further deobligation may be possible in the future.

Auditors Uncover Snags in Fishing Council Funds

Altered checks and other cost irregularities relating to almost $23,000 in NOAA funds were discovered during an audit of a fishery management council. Fishery management includes giving grants for performance of a wide range of functions—from monitoring foreign fishing to studies such as addressing the occurrence of parasitic nematodes in the meat of Calico scallops.

The irregularities were found in the Council's pension plan expenses. The audit also disclosed significant weaknesses affecting the Council's ability to operate effectively. We recommended that NOAA recoup all Federal funds due the Department, since internal accounting controls over grant funds were not adequate.

Excess Federal Funds Used by Corporation

Federal regulations do not allow nonprofit organizations to earn interest by investing premature cash drawdowns. Nevertheless, we found that a California economic development corporation had earned $10,681 in interest on EDA grant money. Approximately $45,000 in Federal funds was still in the company's construction account even though the project had been completed.

We recommended that EDA act to recoup all interest earned and all excess funds held by the grantee. EDA is considering our recommendation.

Audit Resolution

As of September 30, 1984, there were two contract, grant, and loan audit reports unresolved for over six months. In both instances, agency officials have assured us that action is being taken to resolve the reports. We do not anticipate any problem in resolution of either report.

From April 1, 1984, through August 31, 1984, the Department reported collections of $481,000 as a result of audit recommendations.

AUTOMATED INFORMATION SYSTEM REVIEWS

We have continued our increased focus on audits of large computer systems within the Department. The major expenditures such systems entail require us to look closely at procurement methods and costs. The potential vulnerability of computerized data to unauthorized access means we must assure ourselves that internal controls are not only in place but are working. We also look for areas that are ripe for automation but have not yet been converted.

Census ADP Systems Development

Historically, Census Bureau operations have been costly because of the reliance on manual gathering and processing of enormous amounts of data. In the 1980 census, the Bureau processed approximately 88 million questionnaires, containing about three billion items of information on the Nation's 226.5 million persons. The cost of taking the census over the last three decennials has escalated from $128 million to more than $1 billion. Approximately 106 million households and 250 million persons will be counted in 1990. Unless the Bureau makes substantial improvements in methodologies and automated data processing capabilities, the cost of the 1990 census could approach $3 billion.

Our audit disclosed:

- Improvements to the automatic data processing systems were moving slowly.
  - No decision had been reached on whether to improve or replace the outdated data capture system used in 1980 to transfer information from questionnaires to computer tapes.
  - Development of the automated Geographic Support System to produce maps and assign address codes was behind schedule.
  - An automated address data base had not been developed.
  - ADP methodologies for the 1985 pretest had not been determined.
- Planning and organization were not sufficient.
  - A future systems design staff had not been established.
  - An overall ADP life-cycle development plan had not been devised.
  - Outside ADP management expertise was not used where needed in ADP planning activities.
- Additional work was needed in the area of statistical sampling.

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- Expanded use of statistical sampling for the decennial census was not being aggressively pursued.
- No determination had been made regarding procedures for following up on nonrespondents to review questionnaires.
- No decision had been reached on the extent to which sampling could be used in census coverage improvement programs.

We made recommendations to assist development of the decennial data capture system, automated Geographic Support System, automated address data base, and ADP methodologies for the 1985 pretest and beyond. We also recommended that the Bureau support an ongoing future ADP systems design staff, establish a formal ADP planning process, and consider soliciting the services of a contractor to help with ADP planning and systems documentation.

With respect to following up on nonrespondents and improving census coverage, we recommended that the Bureau critically analyze the procedures and processes used during 1980 to see which ones proved most cost-effective. Also, alternative procedures that incorporate more automated processes, such as "second wave mailings," should be considered. Because of the potential cost savings and future applicability, the Bureau should continue research into the expanded use of sampling techniques.

The Bureau believes that with the rapid changes in technology, it is best to defer firm decisions on decennial processes to as late in the decade as possible, while still allowing sufficient time for essential testing, evaluation, and procurement of possible alternatives. We remain concerned because of the Bureau's history in automating and cost control, and the limited time remaining before the 1985 pretest and 1988 dress rehearsal. We plan to periodically review the systems development documentation to monitor the Bureau's progress.

Census Data Capture Contract

The Census Bureau is trying to develop highly automated, cost-effective subsystems to control collecting, capturing, and editing respondent data for the 1990 decennial census. These subsystems are critical since they will interact with many clerical and automated activities. We reviewed the process used to select and monitor a contractor to develop the new decennial data capture system. We found the following:

- Contractor selection was to be based solely on documents received from the competing firms. The selection committee did not plan to independently identify and contact organizations for which the contractors had completed work similar in scope and complexity to the census project.
- Although subcontractors were proposed for a major portion of some vendors' work, no in-depth technical evaluations of subcontractor capabilities were made.
- The statement of work for the data capture contract was not clearly defined, did not include the required types and skill levels of contractor personnel, and lacked exact standards of performance and acceptance criteria for individual contractor products.
- In the past, department managers have supervised contractor employees the same as Government employees, in violation of procurement regulations. Bureau and contractor employees were to concurrently perform closely related tasks at Census sites, but there was no assurance of separate supervision.
- No selection criteria, duties, or methodologies had been documented to guide the Bureau in selecting and managing a contracting officer's technical representative for the decennial data capture project.

The excellent cooperation of Bureau officials during our review enabled us to reach agreement with Census management early enough for corrective actions on our recommendations to be taken before the contractual process was completed. Management improved the selection process, contract terms, and Bureau controls over the contractor. In addition, the auditors gave the Bureau reference material that may be useful in awarding and monitoring future contracts.

Patent and Trademark Office Automation

We continued our review of the Patent and Trademark Office's efforts to automate operations. Automation actions will extend over eight years and be divided into three stages. During the first stage (1983-84), one patent examining group and all trademark operations will be automated. The remaining patent groups and functions will be automated in the second stage (1985-87). The final stage anticipates expansion of automated system capabilities to permit worldwide electronic access to patent and trademark information by 1990. Our most recent audit work concentrated on internal controls for the automated trademark systems.

For completed trademark subprograms, we traced and documented controls through the entire cycle. We reviewed the functional specifications for programs that were far enough into development to permit it, and found them adequate to control data integrity and security. We were unable to test data files and reports to obtain evidence that processing results were accurate and complete. The trademark data base will not be ready for testing until late 1984.

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In lieu of testing, we reviewed the quality assurance test and acceptance plans for each section of data base conversion and system acceptance. We also observed the quality assurance process for one segment of the data base.

Although we found the internal controls and quality assurance generally adequate, our review disclosed the following deficiencies:

- Individual responsibility for trademark data integrity was not established.
- Trademark application input documents were not standardized. This caused problems with data base integrity and accuracy.
- The quality of trademark drawings varied considerably. As a result, automated searching sometimes produced images of poor quality.
- Individual passwords had not been assigned to restrict access to the trademark systems.

As a result of our audit, PTO management will assign responsibility for maintaining the integrity of trademark data bases to specific individuals. They will be given clearly defined procedures to ensure the accuracy of data processing results. In addition, standard application forms, amendment forms, and postregistration request forms will be designed to improve the accuracy of data at the time of input. Technical specifications for the submission of trademark drawings will be standardized. Also, we reached agreement on the need for access controls in the trademark systems.

Minority Business Development Agency ADP Support Contract

The Minority Business Development Agency is developing a comprehensive business information system. The system will interact with MBDA's business development centers. These centers provide business data as well as management and technical information to minority communities in over 100 cities. In April 1982, a $75,817 contract was awarded to provide MBDA assistance in computer system design, programming, documentation, and maintenance. Subsequent modifications increased the contract value to $420,000. Another proposed modification would have increased the contract cost to about $720,000.

Our audit disclosed that contract modifications were not supported by evidence that previous contract deliverables had been received. Such evidence is required, and its absence is significant because most of the tasks assigned to the proposed modification received earlier funding. Also, documentation supporting the contract modification did not include a justification for continuing a labor-hour contract. Labor-hour contracts merely pay for hours and materials used, whether productive or not. Such contracts should be entered into only for the very early stages of feasibility exploration or preliminary design. In this case, the original contract was awarded more than two years ago.

We found that MBDA's statement of work for the contract modification lacked precise task descriptions, contract deliverable descriptions, performance standard descriptions, interim completion dates, and test and acceptance criteria. The statement of work is especially important when a contractor is paid for hours worked and not for specific products. Finally, the technical proposal covering the proposed modification did not include an adequate description of subcontractor personnel, tasks, and deliverables. Approximately one-third of the contract activities were to be performed by a subcontractor.

In response to our recommendations, MBDA is obtaining contractor assistance to define and document its ADP support needs. The contractor selected for this service will be precluded from bidding on MBDA systems development work. The contractor will develop user requirements, a statement of work, and product test and acceptance criteria. Future MBDA contracts and modifications will provide specific task descriptions, milestones, and deliverables.

ADP Sole-Source Procurements

New, sole-source, ADP procurements by Commerce increased to 13 percent ($8.2 million) of total ADP procurement dollars in fiscal year 1983. They had amounted to three percent ($1.8 million) in fiscal year 1982. (These figures do not include awards to minority firms.) We judgmentally sampled 12 of 34 new sole-source awards and found that three of them, totaling approximately $3.4 million over their projected lives, were not adequately justified. Of this amount, $2.5 million was for the initial contract awards and $.9 million was for modifications and option years. We found the following:

- A $2 million sole-source contract was awarded for the Patent and Trademark Office based on the contractor's unique capabilities. The sole-source justification gave opinions, but no facts, to substantiate the contractor's claim to unique technical capabilities.
- A $428,400 sole-source contract was awarded for PTO to ratify an improper, fragmented purchase order for the lease of 103 word processor systems.
- A $59,600 sole-source contract for ADP risk analysis work was awarded for the Census Bureau without adequate evidence of the contractor's unique capabilities and without advertising the need in the *Commerce Business Daily*.

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The Department, PTO, and Census agreed with our recommendations to eliminate unjustified sole-source procurements and ensure that justification is documented on noncompetitive contracts awarded. In addition, a written statement was obtained from PTO, promising to terminate the $2 million sole-source contract in June 1985. The fragmented word processor contract was replaced by a successor contract in a competitive procurement. As a result of OIG recommendations, the worst-case conversion cost in that acquisition was reduced from $400,000 to between $15,000 and $20,000. The Census risk analysis contract was completed and there are no plans to renew it.

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INSPECTIONS

With the realization that about 97 percent of the Department's auditable activities had never been audited, and that with our historical audit approach and anticipated resources, 93 percent would still not be audited at the end of the next five years, we looked for a way to supplement regular audits. The result: OIG inspections.

Inspections are brief, unannounced reviews selectively directed at the Department's more than 500 major headquarters organizational units, 800 field offices, and thousands of financial assistance recipients. The results of an inspection—both positive and negative—are quickly relayed to Commerce officials for appropriate action. Inspections have become a critical part of the OIG's preventive management approach to fraud, waste, and abuse.

Since late in fiscal year 1982, when the inspection program started, we have made 57 inspections. The results have been extremely gratifying. Clearly, the Department has benefited from the inspection process. For example, inspections have

- identified areas that warrant either (1) an investigation or a detailed audit by the OIG; (2) a review or assessment by the Federal Bureau of Investigation, Internal Revenue Service, or another Federal OIG; (3) an in-depth review by departmental oversight offices; or (4) an examination by agency officials;
- identified funded recipients of Federal assistance awards that should not be refunded by the Department;
- identified crucial program areas that need to be made more effective; and
- led to a strengthening of administrative procedures and internal controls over Commerce revenues, assets, and services.

Our inspection teams have visited many departmental offices that had never before had contact with the OIG. We have interviewed and obtained the personal insights of hundreds of departmental employees, firsthand, and also those of users of departmental services. In fiscal year 1984, we expanded the inspection program to encompass departmental facilities overseas. One of the intangible benefits of the inspection program is deterrence. We believe that the unannounced nature of the inspections increases their preventive value. Here are some highlights of inspections completed during this reporting period.

PTO Examining System Was Circumvented

Our unannounced inspection of a Patent and Trademark Office's examining group disclosed that the system for controlling examiner performance and pending patents was being circumvented. More disturbing was the fact that, although this practice was known to group managers, they had taken no action to stop it.

Upon completing an examination, or the reexamination of an amended application, patent examiners prepare a letter advising the applicant of the examination results. When examiners forward the letter for typing, they are given credit for an "office action" under the PTO's performance measurement system. When the letter is typed, it is returned to the examiner for review and signature, and then mailed.

At the time of our inspection, there were 161 office actions still in the examining group more than 60 days after the examiners were credited for completing them. An additional 339 office actions were not mailed for 30 to 60 days after credit was given. We noted one action, credited eight months earlier, that the examiner had not yet reviewed and signed. We found a substantial number of these actions that had been awaiting signature for four to five months. Several examiners told us that they held actions because additional work needed to be done on them.

The failure to promptly mail completed office actions caused us to be concerned about the following:

- The validity of a performance measurement system that enabled an examiner to get credit for work not actually completed. The examiners' ratings, salary increases, and awards were based on the performance measurement system.
- The degree of oversight being exercised by managers who were aware of the problem but permitted it to continue.
- The effect on the patent-pending backlog and records of claiming prematurely that office actions had been completed.

We believe that the practice of preparing office actions and receiving credit *before* the work is complete is a serious abuse of the patent examination process and should not be allowed to continue.

Our inspection further disclosed that PTO was paying its employees overtime to perform tasks that were supposed to be done by a contractor, thus incurring

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duplicative costs. We also found evidence that overtime was being abused by some PTO employees.

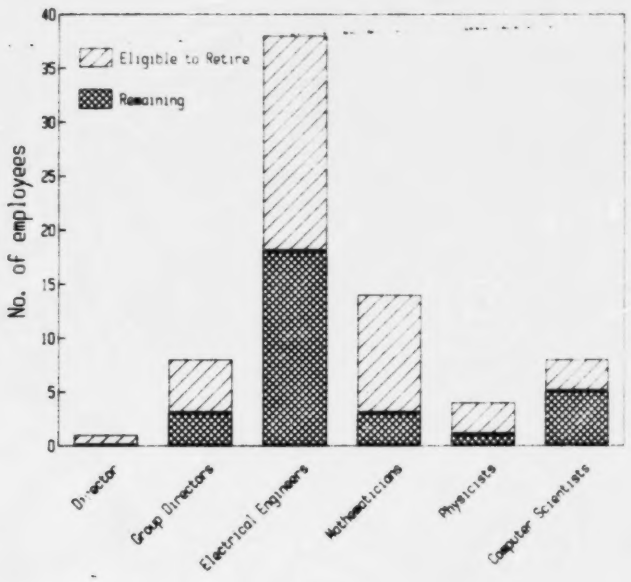
The Assistant Commissioner for Patents said the Patent and Trademark Office agreed with our findings, and outlined the specific actions that would be taken to resolve them. The timeliness and thoroughness of PTO's response to our report were gratifying and we believe the promised corrective actions will resolve our concerns.

NTIA/Boulder Faces Major Loss of Expertise

The National Telecommunications and Information Administration has an advanced research laboratory in Boulder, Colorado. It is the Federal Government's central resource for exploring new frontiers in telecommunications technology.

The Boulder laboratory—the Institute for Telecommunication Sciences—faces a major loss of professional staff over the next seven years. Of the 70 professional staff members now working, 43 will be eligible for retirement within that period. Hence, ITS must prepare quickly to replace a large part of its intellectual resources.

ITS Staff Attrition
(over next 5 to 7 years)



FOOTNOTE: as of March 1984

At the time of our inspection, ITS was authorized to have 98 staff but had only 87. In the preceding eight years, it had hired only eight employees. Recruitment had apparently not received the attention it warranted, since the office had been given direct-hire authority more than six months before but had hired few new personnel.

We recommended that NTIA develop a strategy for dealing with the coming retirements. The Assistant Secretary for Communications and Information told us that NTIA recognizes our concerns and is exploring various recruitment options to address the problem.

ITS maintains three field sites in the Boulder area that were previously used for telecommunications research. The research required the use of electrical equipment containing polychlorinated biphenyls (PCB), a substance known to pose significant risks to public health and the environment.

We found that ITS was storing approximately 600 contaminated capacitors and transformers with concentrations of PCB of between 50-500 parts per million. EPA standards indicate that a concentration of 50 parts per million represents a dangerous toxic hazard. These items are stored at three field sites in both open areas and enclosed structures. They are no longer needed for research purposes.

In the fall of 1983, ITS initiated action to comply with the Toxic Substance Control Act, which requires regulation of PCB. Specifically, the staff properly marked, inventoried, and inspected the contaminated equipment. We believe, however, based on our discussions with EPA officials, that more needs to be done to properly dispose of the surplus contaminated equipment.

We recommended that NTIA allocate funds for appropriate disposal. After some OIG followup, the Assistant Secretary for Communications and Information advised us that NTIA would quickly remove all hazardous waste materials from the ITS field sites.

Financial Assistance Oversight

We inspected the Office of Federal Assistance at Commerce headquarters. OFA is responsible for overseeing the Department's financial assistance awards, involving hundreds of millions of Federal dollars each year.

We found that OFA has had a significant, positive impact on certain aspects of the Department's financial assistance programs and processes, particularly through its support of the Financial Assistance Review Board. All proposed financial assistance projects must be reviewed by the Board before award. We found that the review process has generally worked very well and has corrected a longstanding past weakness in the way Commerce has handled financial assistance awards. As a result of Board review (and, often, simply the *prospect* of Board review), many questionable proposed awards have been stopped or modified to protect the Department's and taxpayers' interests. Although OIG participates in the screening process by flagging proposed awards to organizations with a

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poor audit history or current indebtedness to the Department, OFA performs the vast bulk of the preaward screening and prepares issue papers for the Board on perceived problem cases. Our inspection report commended OFA for its signal contributions in this area.

However, our inspection of OFA also disclosed a number of issues requiring management attention, some of them serious. For example, we observed that OFA, as the grant administrator for the International Trade Administration, Minority Business Development Agency, and National Telecommunications and Information Administration, has not always performed effectively or efficiently. We were concerned that:

- The projected savings in personnel costs envisioned through the centralization in OFA of grant administration functions may be hollow. MBDA and ITA, which represent a substantial part of OFA's grant administration responsibilities, told us they have as many people involved in grant administration now as they did before OFA assumed this role. A staff reduction of about 75 percent was the original expectation. Our primary concern here, though, was the likelihood of unnecessary duplication in some areas and no coverage or administration in others. We believe this situation existed, at least in part, because OFA failed to enforce memoranda of understanding with ITA and MBDA. These would have clarified and detailed the respective roles and responsibilities of the three agencies.
- OFA monitoring of projects after grant award had been less than aggressive. For example, required financial reports were neither routinely received nor routinely reviewed when they were received. This was particularly troubling to us since we noted in seven of the 13 NTIA projects audited in fiscal year 1984 that excess funds had been drawn down and improperly retained by the recipients. Similar situations were noted for MBDA and ITA projects.
- OFA, in executing its grant closeout responsibilities, was often tardy in (1) deobligating unexpended funds, (2) resolving property issues, and (3) resolving audit issues.

Finally, and perhaps most important, we found that OFA had not effectively discharged one of the basic missions for which it had been established: the development of departmental policy guidance relating to financial assistance, and oversight of Bureau implementation of Commerce Department policy. We noted, however, that OFA had several major initiatives under way at the time of our inspection to address these problems.

In responding to our inspection report, the Assistant Secretary for Administration said that actions have been and are being taken to address our concerns. She said that action was taken immediately to complete the memoranda of understanding with ITA and MBDA. Also, OFA has developed and implemented an automated grants management system which should significantly improve the Department's grants administration process.

Fisheries Law Enforcement Agents Need Equipment

A law enforcement group is assigned to each of the five National Marine Fisheries Service regional offices. The groups are the regional directors' investigative and enforcement arm, and are responsible for planning, organizing, and implementing the enforcement of a variety of Federal marine statutes.

During our unannounced inspection of the Southeast Region's law enforcement group, we made the following observations:

- Agents had done an excellent job. Law enforcement groups must interact closely with the U.S. Attorney, Coast Guard, Customs Service, Drug Enforcement Agency, and State agencies. With one exception, knowledgeable representatives from these organizations said they were very pleased with the quality of work and the levels of coordination they had experienced with the law enforcement agents.
- Agents had been hampered in their ability to effectively carry out undercover enforcement and investigative efforts by lack of electronic equipment. We found that they were forced to borrow much of their electronic monitoring equipment from other Federal agencies. Also, the agents did not have proper training in the use of the equipment they borrowed.
- A number of administrative issues required attention:
  - A case tracking system was needed to identify time expended on each case.
  - Additional control procedures and security arrangements were needed to safeguard and adequately store seized evidence, weapons, and ammunition and for investigative case files.
  - Improved internal controls were needed for time and attendance accountability.
  - Management attention was needed to reassess the full-time assignment of vehicles to agents, and to make sure agents had the required personal insurance coverage for assigned vehicles.

In responding to our inspection report, the Deputy Assistant Administrator for Fisheries Resource Man-

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agement told us of the actions he planned to correct the problems identified. He did not agree, however, that a case tracking system was needed. We asked him to reconsider our recommendation.

Security Both Difficult and Necessary

The Patent and Trademark Office is a centralized operation located in Arlington, Virginia, with office space above a public shopping arcade. Its warehouses are in Arlington and Newington, Virginia, and at the Washington Navy Yard. Both the offices and the warehouses contain a large assortment of equipment and supplies as well as patent and trademark information, some of it proprietary.

Our unannounced inspection of PTO's physical security arrangements disclosed very poor security, particularly during regular working hours. The deficiencies included the following:

- Contract guard service was not used effectively. During regular working hours, guards were posted only in the public, patent search room. They verified user passes at the entrance to this room, but no one verified the passes of visitors to the rest of the Patent Office.
- Guard service deficiency reports were filed frequently by PTO, but not forwarded by the Federal Protective Service to appropriate General Services Administration officials. We communicated this problem to the GSA Inspector General, who has taken action to resolve the problem.
- Sensitive application files were readily accessible during regular working hours to anyone entering PTO offices from the public areas via the open elevator system.
- Public stenographers were allowed to remove patent application files from PTO and take them to their private offices. This relinquished control over the application files and could have led to compromise of any proprietary information they contain.
- Entry to the Eads Street warehouse was unimpeded during regular working hours. At night, security consisted of lock and key at the front door and a piece of wire to secure the rear roll-up door.
- Patent files in the public, search record room were highly vulnerable to theft and/or unauthorized review.
- Access to the mail room was not adequately restricted and mail was left unattended in public access areas. Much of PTO's mail contains checks for patent and trademark fees.

In contrast, we found security arrangements to be outstanding for the patent applications classified for national security purposes.

The Assistant Commissioner for Administration told us that PTO agreed with our recommendations, and outlined the corrective actions to be taken. The Assistant Commissioner pointed out that because of the physical location of PTO and the need to keep the examiners accessible to patent applicants (or their representatives), maintaining adequate security is a complex problem. We can see that it is not an easy task, but believe that PTO's planned actions will help to resolve the security weaknesses.

Shop Services Are Top Quality but Too Expensive

An unannounced inspection of the National Bureau of Standards' Fabrication Technology Division, which provides shop services to NBS organizations, disclosed that most shop personnel were dedicated, very knowledgeable, and skilled in their crafts. Users also rated the quality of shop work as very high. Unfortunately, most users considered the cost of shop services excessive.

Inspection results indicated strongly that NBS shop activities were not carried out in the most efficient manner, which contributed to the high cost of shop services. We found that:

- Shop services were not centrally managed.
- Effective production control techniques were lacking.
- The workload had declined without a commensurate reduction in division overhead costs.
- The division was making little effort to determine whether shop services could be provided less expensively by contractors.

In addition, our inspection disclosed several instances of possible abuse or criminal wrongdoing by employees. These are being looked into separately by our Office of Investigations.

We recommended that NBS conduct a review of the Fabrication Technology Division in accordance with OMB Circular A-76, to determine whether shop services can best be provided by in-house staff or by a private contractor. For the interim, we recommended a number of specific actions to improve existing operations. The Director of Administration concurred with our recommendations.

Good Service but Unsupported Claims

Our inspection of the International Trade Administration's Nashville district office disclosed that, for the most part, the office was well managed and efficient. Firms doing business with the district office reported to the inspection team that they were pleased with the services they had received.

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On the other hand, the inspection disclosed a chronic problem we have encountered at other ITA district offices. Performance figures reported to ITA headquarters on the number of counseling sessions held, number of firms new-to-export and new-to-market, as well as the dollar value associated with export actions, are not reliable for measuring the effectiveness of the district office. The reasons are the lack of a clear definition of "counseling," and the very liberal guidelines for claiming export actions.

We reviewed 16 of the new-to-export and new-to-market actions reported by trade specialists as being the result of the Nashville district office's assistance. The firms assisted told us that the district office had little or no effect on their entry into exporting or new foreign markets. Of particular concern was our finding that, in 11 of the 16 export actions, the district office had not been in contact with the firm until *after* the sale was identified. In many of the 16 export actions claimed, these firms contacted the district office primarily to seek help in obtaining export licenses or preparing the necessary paperwork prior to completing the sale. In one case, the export action had fallen through altogether.

We recommended that the Director General for the U.S. and Foreign Commercial Service take action to clarify and, where necessary, revise the reporting criteria so the information received will provide a sound basis for measuring effectiveness. According to the Director General, the U.S. and Foreign Commercial Service is conducting a full review of both written instructions and overall policy, to be completed in the near future. The guidelines will be rewritten in such a way that the linkage between the counseling assistance and the export action is clear, substantial, and fully documented.

Inadequate Internal Controls over Confidential Funds

We made an unannounced inspection of the National Marine Fisheries Service's confidential funds for law enforcement. The money is used to pay informants and carry out undercover operations. The funds are administered by the enforcement division at headquarters and by each of the five regional offices. Between May 1, 1981, and March 31, 1984, $100,228 was earmarked for confidential fund use by Fisheries Service law enforcement groups.

In the Northeast Region, we found that adequate internal controls were not in place for the use of confidential funds. We also found discrepancies in the fund activities that needed to be resolved by headquarters.

In the Southeast Region, we found that good internal control practices had been developed by an individual agent. While the practices were effective, the process was not documented and its success depended entirely on the initiative of this agent. Should the agent leave, there would be no assurance that the practices would be continued.

We saw an urgent need for Fisheries Service headquarters to develop uniform policies and procedures to be used by all the regions in administering confidential funds. We made a number of recommendations toward this end.

The Deputy Assistant Administrator for Fisheries Resource Management concurred with our recommendations to develop uniform policies and procedures for handling the confidential funds in all regions. He also advised that the discrepancies noted in the Northeast Region fund were investigated and headquarters was satisfied that no impropriety was involved.

Precious Metals and Gems Are Piling Up

Our inspection of the National Bureau of Standards' Facilities Services Division disclosed that NBS has significantly improved its management of personal property.

The inspection also disclosed that NBS had more than $3 million worth of precious metals and gems in excess of its needs. These metals and gems were not properly identified for disposal or alternate use. NBS' failure to turn them in to the Department of Defense or the General Services Administration for disposal or use results in unnecessary costs and lost revenue.

In responding to our inspection report, NBS's Director of Administration said that the Bureau is negotiating with Defense to turn over the excess precious metals and gems.

Fair Weather in Charlotte

When we inspected the Charlotte, North Carolina Weather Service Office, we found that the office generally was doing an exceptional job, as reflected by the following observations:

- The user survey indicated a high level of satisfaction with the Charlotte office. People were very complimentary of the manager and staff.
- The office's disaster preparedness and outreach programs were well established and received significant staff attention.
- NOAA Weather Radio programming and utilization also received a good deal of staff attention.

We noted several admininistrative activities, however, where improvements were needed. They were climate data sales, time and attendance accountability, cash fund activities, and property inventory. We also observed several programmatic issues that could have implications beyond the Charlotte office:

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- The requirement to retain a paper copy of local weather information appeared to create an inordinate amount of duplicate reports and excessive use of the NOAA Weather Wire.
- An enormous amount of handwritten and machine-generated information was forwarded to the National Climatic Data Center. Much of this information appeared to duplicate the data available from the Automation of Field Operations and Services system.

In responding to our report, the Assistant Administrator for Weather Services said that actions are being taken to resolve most of the issues raised by our inspection.

Trade Adjustment Assistance Center Working

The Mid-America Trade Adjustment Assistance Center in Little Rock, Arkansas, has been operated by the University of Arkansas since 1978. It is funded by a $765,000 cooperative agreement with the International Trade Administration and closely monitored by ITA's Office of Trade Adjustment Assistance.

In an unannounced inspection, we were pleased to note that the office was using OTAA's new guidelines for establishing chargeout rates for firms receiving assistance. This was a direct result of a concern we highlighted in our previous inspection of the New Jersey assistance center.

The Mid-America center had revised its chargeout rate to make it adequately cover the cost of services provided. We also noted that the center, through new outreach initiatives, had increased both the number of petitions for certification received and the level of overall assistance given to affected firms.

Interviews conducted with client firms revealed that the center has been effective in providing technical assistance. We believe OTAA has been instrumental in making changes that have had a positive impact on the center's program activities.

We did note several problems that require management attention. For example:

- The center and the local ITA district office need to coordinate their activities more closely.
- Delays at OTAA in the processing of certifications are causing the center's assistance to slow accordingly.
- The letter of credit necessary so that the center can receive its funds had not been established, although the cooperative agreement had been in effect for four months. Consequently, the center could not draw funds to cover the cost of its operations.
- Written procedures did not adequately address the center's accounting practices, lines of organizational responsibility, or approval authority for financial transactions.
- Adequate controls did not exist to ensure the timely receipt, recording, and disposition of program income/receipts.
- Payments to consultants for services performed for the center were not posted to the center's control records.

The Deputy Assistant Secretary for Trade Adjustment Assistance told us of corrective actions being taken. We believe these will resolve the issues we raised in our inspection.

Inspection Followup

As part of our inspection program, we selectively make followup visits to see how well our recommendations are being implemented. During this reporting period, we completed two followup inspections.

We found that the Environmental Research Laboratory's Atlantic Oceanographic and Meteorological Laboratory had effectively implemented all of our March 1984 inspection recommendations. We made several new suggestions for improving cash fund operations.

NOAA's Southeast Fisheries Center, in Miami, had corrected the deficiencies noted in our March 1984 report. It had established the necessary internal controls over purchasing and cash fund activities.

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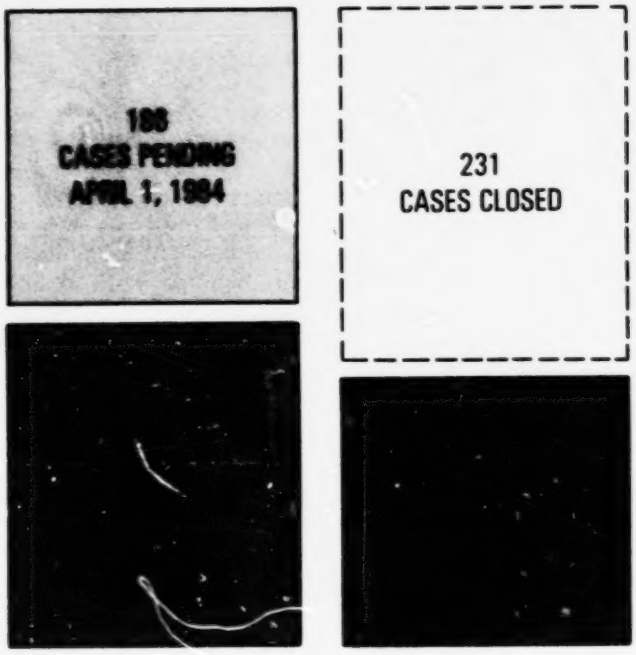
INVESTIGATIONS

During this reporting period, the Office of Investigations took a number of innovative steps related to investigation and administration. The aim was to make the investigative process more efficient and more effective, helping us to steadily reduce our backlog of pending cases.

INVESTIGATION WORKLOAD



TOTAL WORKLOAD = 400

The liquidation actions, contracts, loan and grant agreements, and cooperative agreements involved in the Department's financial transactions are often vague, contradictory, and open to misunderstanding. This lack of clarity and precision has allowed misuse, contributed to the loss of Government funds, and made it difficult for the Government to obtain favorable judgments in civil suits. Consequently, the Department of Justice is not inclined to prosecute in cases where these deficiencies have been noted. Justice takes the position that Commerce actions contributed materially to the problem.

In an attempt to correct this situation, OI is collecting sample documents from the financial transactions of Commerce and other departments. By (1) collecting and analyzing these documents along with the regulations and laws that relate to the transactions, (2) personally interviewing program officials to get details firsthand on how such financial actions are conducted by each agency, and (3) analyzing past audits, inspections, and investigations, we hope to identify the wording that makes financial instruments vulnerable to fraud, waste, and abuse. We will then be in a position to propose changes to Commerce documents that will decrease the vulnerability of financial transactions.

OI has also begun a multiphased effort—together with the Office of Audits—to identify the Commerce programs most vulnerable to fraud. The project is in its initial phase, which is analyzing the Department's inventory of contracts, grants, and loans. In phase two we will expand the data base by adding specific details on the recipients of these funds. In phase three we will analyze and compare the data through computer matching, to identify areas of possible fraud, waste, and abuse. Through this intensified study, we hope to effect more efficient use of investigative resources.

Construction Firm Convicted of Bid Rigging

A Federal grand jury in Raleigh, North Carolina, returned a one-count felony indictment charging a North Carolina construction company and its president with bid rigging in connection with a Commerce-funded utility construction project in Elizabeth City. The indictment charged that the defendant conspired with others, in violation of Section 1 of the Sherman Act, to rig the bids submitted on a portion of the Pasquotank River Supply Project, which totaled $3,035,000.

On September 20, 1984, the firm and its president were found guilty. Sentencing was scheduled for December 7, 1984, in U.S. District Court, Elizabeth City.

These convictions stem from an ongoing investigation of utility construction projects that we are conducting in conjunction with the Antitrust Division, Department of Justice.

Misconduct by Senior FCS Official

An extensive overseas investigation, coordinated with our Office of Counsel, yielded evidence of serious misconduct by a senior Foreign Commercial Service official. The evidence showed that this official had (1) taken kickbacks from temporary employees; (2) submitted fraudulent vouchers to ITA; (3) deliberately overbilled a U.S. State government while sponsoring an overseas mission on its behalf, and pocketed

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the excess; (4) used Government funds for private purposes not connected with official activities; (5) submitted a falsified bank document to ITA in an unsuccessful attempt to demonstrate that office funds were not used to pay personal expenses; and (6) maintained a substantial, unauthorized, and unaudited cash fund in the office. The improperly diverted funds amounted to more than $6,000. The official, who had been notified that the Department proposed to terminate his employment, resigned from the FCS in October.

Company President Indicted as Firm Defaults

An OIG investigation resulted in a Federal grand jury indicting the president of a New York clothing manufacturing firm for mail fraud. The firm had received two Economic Development Administration loans totaling $1.6 million. One loan was to be used as working capital and the other was for the purchase of fixed assets.

The president of the company submitted false information to EDA in order to receive $75,000 from the fixed assets loan.

The money was supposed to be used to pay for three knitting machines, but was instead deposited into the company's operating fund. The firm defaulted on both loans.

Employee Indicted for Theft of Government Property

An OIG investigation, based on information received from the Census Bureau, disclosed that a former Census clerk at the Dallas regional office had stolen and then pawned Government property consisting of typewriters, calculators, fire extinguishers, and oil. The property was worth more than $5,000.

Investigation disclosed that the employee had a previous felony conviction for aggravated robbery and conspiracy. He had knowingly omitted this conviction on a Standard Form 171, Personal Qualifications Statement, that he submitted to Census.

Our findings resulted in a two-count indictment charging the former employee with theft of Government property and false statements. An arrest warrant has been issued, and the employee is presently a fugitive.

Company Owner Indicted for Loan Fraud

At the request of the Economic Development Administration, the OIG and the Federal Bureau of Investigation together investigated the use of EDA loan funds by a New Jersey business. The company, a laminator of textiles, received financial assistance totaling $668,800 under the Trade Act. The firm had made no payments on the principal and was delinquent on interest payments.

Our investigation confirmed the misuse of loan funds. Some of the money had gone to pay expenses of other companies owned by the principal and to pay personal expenses. The company was, for all practical purposes, defunct at the time loan funds were disbursed. The company made no attempt to implement the recovery plan it had presented in its loan application. The owner falsely certified that the recovery plan was being followed before EDA approved each disbursement of funds. In addition, the owner provided a false personal financial statement. The owner was indicted in New Jersey on eight counts of submitting false statements. Trial is pending.

False Picture of Assets Leads to Trouble

A Mississippi-based company applied for and received two Economic Development Administration guaranteed loans totaling $1,330,000. The funds were to be used for plant, property, and equipment to manufacture wheeled platforms for mechanics and to provide working capital for the venture. The Small Business Administration advised the OIG that the company president had provided false information on his loan applications. We investigated the allegation in conjunction with the Federal Bureau of Investigation. The individual admitted to falsely listing ownership of a funeral home on his loan applications to EDA and to the First Mississippi National Bank. This overstated his net worth by $2 million. EDA officials said they would not have recommended approval of the loans had they been given a true picture of the assets. The president has filed personal and corporate bankruptcy, and the firm's assets have been liquidated.

The results of this investigation were presented to a Federal grand jury in Jackson, Mississippi. The company president was indicted on two counts of false statement and pled guilty. On June 22, 1984, he was sentenced to five years probation, ordered to pay a $5,000 fine, and required to perform 15 hours a week of community service for a year.

EDA Loan Loss Could Have Been Avoided

The Economic Development Administration lost more than $525,000 because of loan default by a Kentucky corporation. EDA released the principal's spouse from a personal loan guarantee and later approved an arrangement that permitted business transactions between the loan recipient's company and a second corporation, of which the spouse was president. When the EDA-backed corporation defaulted on its loan, the profits from the spouse's corporation were out of reach.

While our investigators did not find support for allegations that the loan recipients converted Gov-

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ernment property to personal use, they did establish that EDA's loan actions contributed to the loss. In order to prevent future such occurrences, we are preparing a report to EDA specifying the actions that we believe weakened the Government's standing.

MBDA Grant Recipient Misuses Grant Funds

The director of an organization funded by the Minority Business Development Agency used grant funds as collateral for a commercial loan to finance private business ventures. When the business ventures failed, the bank used $7,100 of grant funds to satisfy the commercial loan, which had become past due. Since the individual reimbursed the fund involved, the Department of Justice declined prosecution. However, as a result of the investigation, MBDA terminated the grant.

Contractor Overbilling Settled Out of Court

When a Commerce Department contract was terminated for poor performance, the contracting officer referred the matter to the Office of Audits because of apparently excessive contract billings. In a joint effort, OIG auditors and the Federal Bureau of Investigation found that the company had indeed overbilled the Department. The Justice Department decided that criminal prosecution was not warranted and recommended civil action against the company. In May 1984, the Department settled the matter out of court, saving about $24,000.

Curbstoning May Mean Dismissal

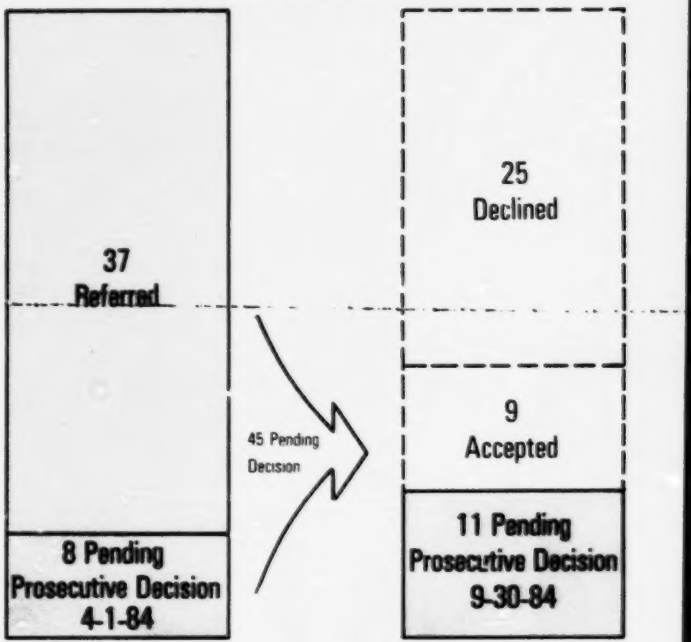
Census Bureau field managers in several regions have expressed concern to the OIG that administrative remedies have been ineffective in curtailing the rise in "curbstoning." Curbstoning is the term Census uses when its interviewers turn in information that is either totally fabricated or collected from someone other than the designated respondent. Census identified a curbstoning incident in Florida and fired the employee involved. Census then referred the matter to the OIG for further investigation. We confirmed the allegations, and presented our findings to the Department of Justice. The worker may be returned to duty on a year's probation but be required to pay Census' expenses for redoing the faulty interview work. A get-tough policy will be widely publicized throughout Census to deter future occurrences of this unacceptable practice.

Department Acts to Debar Contractor

In September 1979, the Small Business Administration awarded a subcontract for the Department of Commerce to a Washington, D.C. firm to provide subscriptions and related library services. Six months into the contract, the contracting officer determined that the libraries were not receiving the promised services. The contract was terminated for default.

We were asked to investigate to determine whether the contractor had defrauded the Government of approximately $21,800 in services that had been paid for, but allegedly not received. We presented the results of our investigation to the Department of Justice; however, Justice declined prosecution in favor of administrative remedies. We then recommended that the contractor be administratively debarred by Commerce. Debarment proceedings have been initiated. When completed, this will be the first debarment in the history of the Commerce Department.

CASES REFERRED TO PROSECUTIVE ENTITIES



Agency Liaison and Referral Program Eases Pressure

Many of the allegations we receive via the Inspector General Hotline and from other sources involve matters that can be dealt with best at the administrative level. In such cases we frequently ask the operating units to look into the allegations, take the action necessary to resolve them, and let us know the results. This referral policy has permitted us to concentrate our efforts on program fraud and significant employee misconduct while operating units deal with lesser problems of management concern.

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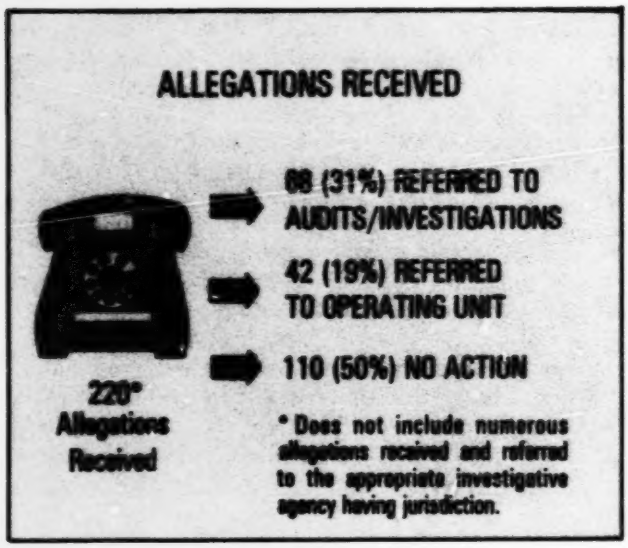
During this reporting period, over 40 allegations were referred to the operating units for resolution. All involved relatively minor infractions in the following categories:

- Acceptance of gratuities.
- Abuse of time and attendance rules.
- Unauthorized cash fund.
- Abuse of Government mail.
- Improper position classification.


ALLEGATIONS RECEIVED
88 (31%) REFERRED TO AUDITS/INVESTIGATIONS
42 (19%) REFERRED TO OPERATING UNIT
110 (50%) NO ACTION
220* Allegations Received
* Does not include numerous allegations received and referred to the appropriate investigative agency having jurisdiction.

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LEGISLATION

Cash Awards for Disclosure of Fraud, Waste, or Mismanagement

On August 7, 1984, the Commerce IG testified on H.R. 5646 before the Subcommittee on Civil Service of the House Committee on Post Office and Civil Service. This bill would have eliminated the September 30, 1984, expiration date on the authority of inspectors general to grant cash awards to Federal employees whose disclosures have saved money for their agencies. The bill was not passed before adjournment. However, it is likely that comparable legislation will be introduced in the next session of the Congress, so our thoughts on the IG cash awards program may be helpful.

We favor testing the cash awards authority for another three years. At present, we simply do not have enough data to know whether the IG awards have encouraged any employee disclosures. A limited extension would give the Congress and the Administration a bit more time to assess the effectiveness of the program.

Two years ago, in our Semiannual Report to the Congress for the first half of fiscal year 1982, the IG spoke of his ambivalence about the cash award program. On one hand, he welcomed it, hoping the program would stimulate a flow of information. He was somewhat concerned, however, that giving cash awards might cast whistleblowers in the image of "paid informants," which would radically alter the psychology of those who chose to come forward with disclosures. He feared that this image, if it developed, might make it more difficult to protect whistleblowers from reprisal because other employees would view them as acting for personal gain.

Neither these hopes nor fears were borne out by experience. At Commerce, we have had award procedures in place since September 1982 and have widely publicized the program. Nevertheless, to this date we have had no suitable candidate for an award. Why is this? We certainly have continued to receive allegations. There would seem to be two reasons for this.

First, the Commerce Department has a successful program, called S*M*A*R*T (Save Money and Reduce Taxes), that makes cash awards to employees for cost-saving suggestions. The support of senior management has created a favorable climate in which employees can approach supervisors with ideas about cutting costs. Under the circumstances, employees may see less reason to go outside supervisory channels to the Inspector General's Office.

Second, the law specifically limits cash awards to those disclosures that have led to cost savings. Action on most of the substantive complaints we receive, however, does not directly save money. The complaints do identify misconduct such as theft, conflict of interest, violation of the Hatch Act, fictitious reporting to cover poor performance, and other areas of fraud and abuse. The investigations triggered by these complaints help to preserve the integrity of Government operations and they may lead to criminal conviction or administrative action, but they tend not to yield tangible cost savings.

An additional pilot test of a cash awards program would be useful. No time would have to be spent deciding how to carry out the program. Implementing procedures are already in place, guided by a model regulation developed by the IG community and the Office of Personnel Management.

The model rule defines "disclosure" and "cost savings," and suggests that payments for cash awards be made from appropriations in the cost centers of the agency realizing the savings. Although this approach avoids placing the funding burden on the IGs, it does not automatically provide a ready source of money for the awards. A May 1984 General Accounting Office report to the Subcommittee indicates that the source of award funds remains a potentially troubling area, with at least four different methods now being followed. We will have to learn from experience whether or not this is a real problem.

Looking Toward the New Congress

We propose that the 99th Congress consider the following items as priority business.

- *Program Fraud Civil Penalties Legislation*—Federal agencies need the authority to impose civil penalties and assessments on persons who submit fraudulent claims or make false statements to the Government or its grantees. Such legislation would permit swift justice for wrongdoers and quick recovery of the Government's loss in cases where fewer dollars are involved and the Department of Justice declines to prosecute.
- *Computer Crime Legislation*—The Federal Government's present ability to prosecute persons engaged in computer-related crime is limited. This is because new technology has broadened the scope of possible crimes to include actions not contemplated when current statutes were drafted. Computer security legislation enacted in the

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closing days of the 98th Congress partially addresses this problem, but a more comprehensive approach is needed. The Congress should act swiftly to expand its coverage of this aspect of Federal criminal law, to give agencies stronger ammunition for deterring the increasing use of computers to defraud the public and the Government.

- *Legislation on Tort Claims Against Federal Employees*—The Congress should legislatively mandate that the Government be the exclusive defendant for tort claims based on the actions of Federal employees acting within the scope of their employment. Delay in enacting this legislation will continue to erode employee morale and weaken the Government's ability to get the job done, as more and more employees begin to waiver in the performance of their duties out of fear of being sued for their lawful activities.

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PRESIDENT'S COUNCIL

During this reporting period, Inspector General staff participated in a number of projects sponsored by the President's Council on Integrity and Efficiency. Probably the most noteworthy accomplishment was the drafting of professional quality standards for the conduct of Federal inspector general offices. We also contributed to the self-assessment guidelines for inspectors general and participated in several computer-related projects.

Professional Standards

A major PCIE effort under the leadership of Commerce IG Sherman M. Funk, Chairman of the PCIE Performance Evaluation Committee, and Department of Education IG James Thomas, has produced quality standards for the operation of Federal offices of inspector general. The PCIE agreed to adopt these as interim standards, to be used on a trial basis for about a year before being issued in final form. Bound in gray covers, the 23-page standards have been distributed widely among the IG community, and already are known as the "Gray Book," a comparative reference to GAO's "Yellow Book" of audit standards.

Self-Assessment Guidelines

Lest the pot be calling the kettle black, it behooves Federal inspector general offices to keep a close eye on the efficiency and economy of their own operations. To this end, a PCIE task force, actively assisted by Commerce staff, has produced a comprehensive self-assessment guideline for OIGs. The guidelines should be useful both for PCIE task groups when they evaluate performance of a particular OIG, and for internal OIG quality assurance evaluations.

Computer-Related Projects

OIG staff participated in three of PCIE's computer-related projects:

- We helped the EDP System Review and Security Work Group draft standards for auditing the development of Federal automated information systems. The goal was to define the auditor's role in designing and developing these systems. In May, draft standards were sent for comment to all inspectors general and assistant secretaries for administration.
- As part of the Microcomputer Users Group and Microcomputer Audit Guidelines Subcommittee, we helped assess the productivity of auditors and investigators using microcomputers and looked for common solutions to audit-related problems with microcomputers. We also helped write a document on using microcomputers in auditing. It is tentatively called *Microcomputer Audit Guidelines* and is scheduled for issue in November 1984.
- We participated in a PCIE computer match project to identify Federal employees who received monetary benefits by violating unemployment insurance laws. We provided data on 29,600 Commerce employees to match against unemployment insurance rolls in 14 States. The matching exercise identified 123 employees who had received $68,032 in apparently illegal benefits. The cases were referred for legal action.

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ADMINISTRATION

Administratively speaking, fiscal 1984 was a year of mixed blessings. Our 1985 budget increase was reduced by congressional action. But an internal reorganization improved our workflow and effectiveness, and—for the first time in our history—we were fully staffed.

Budget Reduced

The President's fiscal year 1985 budget for the OIG included a request for $1.1 million in additional funds. After congressional deliberation, and despite approval of the full amount by the House, this figure was reduced in conference to $500,000. The funds were needed to permit the OIG to operate at the program and staff levels authorized by the Congress; no new programs were to be established.

The program function hardest hit by this decrease will be the financial compliance audits of Commerce grants and contracts, which are now performed upon closeout by independent public accounting firms under contract to the OIG. Funds for this function were deferred in 1984 to provide sufficient financing for staff salaries, and less than $50,000 will now be available in 1985. The program was originally budgeted at over one million dollars.

A Second Reorganization

The OIG reorganized itself for the second time in four years during this period. The first time, in late 1982, we focused on consolidating our offices and staffs. We reduced the number of regional offices from 19 to eight, and grouped our Washington, D.C. area employees into one building instead of four.

This second reorganization was designed to establish a more realistic correlation between headquarters OIG offices and assigned missions. The more significant changes are as follows:

- Because of the rapid rise and complexity of computer-related fraud and mismanagement, the Office of Automated Information Systems was separated from the Office of Audits and established as a unit reporting directly to the Inspector General.
- The responsibilities of the regional inspectors general for investigations were increased, thereby reducing the need for headquarters oversight. The Investigative Operations Division and the Fraud Intelligence Division were abolished, and personnel assigned to these units were returned to direct investigative work.
- The vulnerability assessment function, as originally envisioned for the OIG, was superseded by the detailed requirements for agencies mandated by OMB Circular A-123. Although oversight of the Department will continue through the Office of Audits, a separate function for the OIG was no longer needed and was abolished.
- The Office of Planning and Evaluation was redesignated as the Office of Planning, Evaluation, and Inspections to reflect the importance and permanent status of inspections as an OIG function.

Greater managerial emphasis was placed on the preparation of performance plans and appraisals. Generic duties were developed for all positions from GS-5 through GM-14, so that individuals with similar grades would have similar levels of responsibility. Performance contracts were based on the position descriptions, and formal procedures were established which require OIG managers to monitor performance, correct deficiencies, and reward excellence.

A Full House

Against an authorized ceiling of 215.0 staff-years, the OIG expended 214.4 staff-years in fiscal year 1984. As I said before, this is the first year in our history in which we have been fully staffed. This happy reality is due in no small part to the independent personnel authority given the OIGs in the Inspector General Act of 1978. Tight management of resources has allowed us to internally finance the inspections function and the ADP audits without detracting from our other programs.

STAFFING

September 30, 1984

	Authorized	Filled	Vacant
Inspector General	9	9	0
Audits	121	117	4
Investigations	41	44	-3
Planning, Evaluation, and Inspections	13	13	0
Automated Information Systems	14	13	1
Administration	11	11	0
Legal Counsel	6	6	0
TOTAL	215	213	2

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APPENDIXES

I. Reports Issued

II. Management Audit Reports

III. Automated Information System Audit Reports

IV. Contract, Grant, and Loan Audit Reports Issued

V. Contract, Grant, and Loan Audit Reports Processed

VI. Inspection Reports

VII. Reports Issued in Draft as of September 30, 1984

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I. REPORTS ISSUED

Management Audits	23
Automated Information System Audits	6
Contract, Grant, and Loan Audits	67
Contract, Grant, and Loan Audits Processed	330
Inspections	13
TOTAL	439

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II. MANAGEMENT AUDIT REPORTS

AGENCY/SUBJECT	REPORT DATE
ADMINISTRATION	
Environmental Protection Agency Interagency Agreements with the National Oceanic and Atmospheric Administration and the National Bureau of Standards	July 1984
Imprest Fund No. 108, Mountain Administrative Support Center	July 1984
Imprest Fund Review, Western Administrative Support Center	September 1984
BUREAU OF THE CENSUS	
Internal Control Review Process for 1983 and 1984	April 1984
Report on Travel Controls: No Major Problems Found but Some Improvements Are Needed	June 1984
Mapping Operations	June 1984
Closeout of the Draft Review of Computer Mapping Equipment Requirements	June 1984
ECONOMIC DEVELOPMENT ADMINISTRATION	
Preliminary Findings and Recommendations on the Emergency Jobs Act Program	September 1984
INTERNATIONAL TRADE ADMINISTRATION	
Interagency Coordination, Louisiana World Exposition	July 1984
Export Expansion Activities Need a Sharper Focus and Better Internal Coordination	September 1984
NATIONAL BUREAU OF STANDARDS	
Internal Control Review Process for 1983 and 1984	April 1984
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	
Opportunity to Conduct Hydrographic Surveys More Economically	April 1984
Imprest Fund, National Weather Service Training Center	April 1984
The National Weather Service Upper Air Program Needs to Improve Safety and Shipping Practices	May 1984
Imprest Fund No. 122, National Weather Service, Western Region Headquarters	June 1984
Imprest Funds, Weather Service Offices in Alamosa, Pueblo, and Colorado Springs, Colorado	June 1984
Closeout of the Review of the National Weather Service Training Program	July 1984
Travel Controls: No Major Problems Found but Some Improvements are Needed	September 1984
Improvements Needed in the Geostationary Operational Environmental Satellite Program	September 1984
The Space Environment Laboratory Needs to Improve the Economy of Solar Broadcasts	September 1984
NATIONAL TECHNICAL INFORMATION SERVICE	
Internal Control Review Process for 1983 and 1984	April 1984
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION	
Selected Aspects of the Administration of Public Telecommunications Facilities Grants	September 1984
PATENT AND TRADEMARK OFFICE	
Internal Control Review Process for 1983 and 1984	April 1984

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III. AUTOMATED INFORMATION SYSTEM AUDIT REPORTS

AGENCY/SUBJECT	REPORT DATE
ADMINISTRATION	
Improvements Needed in ADP Sole-Source Procurement Practices	June 1984
BUREAU OF THE CENSUS	
1990 Decennial Census Data Capture Contract	August 1984
System Design Review	September 1984
BUREAU OF ECONOMIC ANALYSIS	
Survey of Data Processing Security	September 1984
MINORITY BUSINESS DEVELOPMENT AGENCY	
Modification No. 3 of the General Software Corporation Contract	September 1984
PATENT AND TRADEMARK OFFICE	
Trademark System Internal Controls	September 1984

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IV. CONTRACT, GRANT, AND LOAN AUDIT REPORTS ISSUED

AUDIT REPORT NUMBER	DATE	AUDITEE
ECONOMIC DEVELOPMENT ADMINISTRATION		
ATL X 500-01-1000-40-035	84/05/04	City of Pottsville, Pennsylvania
ATL X 500-01-1000-40-036	84/05/16	City of Chicago, Illinois
ATL X 500-01-1000-40-037	84/05/21	Brooklyn Navy Yard Dev. Corp., Wycoff Heights, New York
ATL X 500-01-1000-40-042	84/06/15	City of Detroit, Michigan
ATL X 500-01-1000-40-043	84/06/15	City of Detroit, Michigan
ATL X 500-01-1000-40-050	84/06/27	City of Bellevue, Ohio
ATL X 500-01-1000-40-052	84/07/19	Town of Franklin, Connecticut
6AD X 002-00-1000-40-584	84/07/02	William Floyd School District, Mastic Beach, New York
6AD X 038-05-1071-40-692	84/09/11	Justin Research, Inc., Washington, D.C.
6AD X 136-05-1071-40-630	84/08/31	Center for Resource Development, Washington, D.C.
DEN X 056-03-1011-84-055	84/05/31	City of Gary, Indiana
ATL X 409-00-1012-40-032	84/04/20	Coastal Area Planning and Development Commission, Brunswick, Georgia
ATL X 478-00-1012-40-039	84/05/25	Seminole Employment Econ. Dev. Corp., Sanford, Florida
ATL X 478-00-1012-40-040	84/05/25	Seminole Employment Econ. Dev. Corp., Sanford, Florida
ATL X 513-00-1012-40-048	84/06/22	Management Dev. Assoc., Kings Point, New York
DEN X 056-03-1012-84-056	84/05/31	City of Gary, Indiana
SFC X 756-03-1072-40-055	84/09/21	Washington Rural Dev. Enterprises, Toppenish, Washington
ATL X 506-00-1031-40-034	84/04/30	A Horowitz & Son, Fairfield, New Jersey
ATL X 507-00-1031-40-033	84/04/26	Cavalier Clothes, Inc., Queens, New York
ATL X 509-00-1031-40-038	84/05/22	Whittier Lifts, Inc., West Ossipee, New Hampshire
DEN X 048-03-1033-40-048	84/06/25	Montana Sundown, Inc., Hamilton, Montana
DEN X 049-03-1031-40-049	84/08/03	Capital Hotel Partnership, Little Rock, Arkansas
DEN X 052-03-1033-40-052	84/08/03	Harper Industries, Inc., Columbus, Ohio
DEN X 053-03-1033-40-053	84/06/15	Antenna Inc., Cleveland, Ohio
DEN X 058-03-1033-40-058	84/06/25	Draco Laboratories, Inc., Grafton, Wisconsin
DEN X 059-00-1030-40-059	84/08/03	Benchmark Crafters, Inc., Cannon Falls, Minnesota
DEN X 061-03-1032-40-061	84/06/29	Ojo Caliente Craftsmen, Ojo Caliente, New Mexico
DEN X 062-03-1031-40-062	84/07/26	Coastal Freezing, Inc., Aransas, Texas
SFC X 742-00-1000-40-040	84/04/19	Stephen Investments, Inc., DBA Fresno Hilton Hotel, California
SFC X 744-00-1000-40-041	84/05/11	California Infanteen Togs Manufacturing Co., Los Angeles
SFC X 745-00-1000-40-038	84/04/16	Cherokee Shoe Company, Inc., Gardena, California
INTERNATIONAL TRADE ADMINISTRATION		
ATL X 510-00-2500-40-044	84/06/11	Randon Knitwear, Inc., Graham, North Carolina
ATL X 516-00-2500-40-053	84/07/26	Guemar Dress Corp., Puerto Rico
6AD X 029-05-2500-40-364	84/06/21	Fairfax County Chamber of Commerce, Dunn Loring, Virginia
DEN X 046-05-2500-40-046	84/05/11	E Industries Corp., San Antonio, Texas
ATL X 523-03-2500-40-064	84/09/19	Marketing International, Inc., High Point, North Carolina
DEN X 051-05-2500-40-051	84/06/20	Roppolo Flowers, Inc., Marlin, Texas
DEN X 057-05-2500-40-057	84/06/25	Jolene Company, Inc., Provo, Utah
MINORITY BUSINESS DEVELOPMENT AGENCY		
ATL X 514-05-4000-40-045	84/06/11	Caribbean Basin Dev. Corp., Washington, D.C.
ATL X 515-05-4000-40-047	84/06/15	Interamerican Dev. Group, Inc., Miami, Florida
SFC X 747-03-4000-40-036	84/04/25	Business Development Center of Southern California, Los Angeles
SFC X 748-03-4000-40-037	84/04/24	Business Development Center of Southern California, Los Angeles
SFC X 751-02-4000-40-048	84/07/31	Business Development Center of Southern California, Los Angeles
SFC X 752-00-4000-40-045	84/06/15	Phoenix Business Development Center, Arizona
SFC X 752-04-4000-40-042	84/05/23	Fontaine, Quintanilla and Associates, California
6AD X 031-03-4000-40-620	84/08/07	Washington Consulting Group, Inc., Washington, D.C.
DEN X 036-03-4000-40-036	84/04/20	Jonathan-Jacob & Associates, Denver, Colorado
DEN X 039-02-4000-40-039	84/05/07	Chicago Economic Development Corp., Illinois
ATL X 389-00-4000-40-031	84/04/19	South Alabama Business Development Office, Mobile
ATL X 517-05-4000-40-049	84/06/26	Greater Pittsburgh Business Dev. Corp., Pennsylvania

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IV. CONTRACT, GRANT, AND LOAN AUDIT REPORTS ISSUED *continued*

AUDIT REPORT NUMBER	DATE	AUDITEE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION		
ATL X 519-00-4800-40-060	84/09/06	Kathleen and Julie II. Inc., Cumberland, Maine
6AD X 031-05-4800-40-517	84/06/18	Year of the Ocean Foundation Center, Washington, D.C.
6AD X 039-05-4800-40-837	84/09/28	AFTMA Sport Fishing Foundation, Arlington Hts., Illinois
SFC X 746-00-4810-40-043	84/06/08	Office of Coastal Zone Mgmt., Tallahassee, Florida
SFC X 757-00-4800-40-050	84/08/23	Fred Benko, Santa Barbara, California
SFC X 758-00-4800-40-049	84/08/14	Jack Carpenter, Morro Bay, California
SFC X 759-00-4800-40-052	84/08/28	Robert Glenn, Bodega Bay, California
SFC X 760-00-4800-40-053	84/08/29	Thomas Trumper, Santa Ana, California
SFC X 761-00-4800-40-054	84/09/19	John Groman, San Diego, California
DEN X 043-05-4800-40-043	84/05/14	Florida Department of Natural Resources, Tallahassee
ATL X 518-00-4800-40-059	84/08/31	North Carolina Dept. Natural Resources and Comm. Dev., Raleigh
SFC X 717-02-4800-40-044	84/06/08	California Dept. of Fish and Game, Sacramento
SFC X 750-00-4800-40-051	84/08/23	Washington Dept. of Ecology, Olympia
ATL X 508-00-4800-40-041	84/06/08	Sapelo Is. National Estuarine Sanctuary, Brunswick, Georgia
ATL X 511-00-4812-40-046	84/06/14	Gulfport Biloxi Regional Airport Authority, Mississippi
ATL X 512-00-4812-40-051	84/07/06	City of Pascagoula, Mississippi
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION		
SFX X 755-00-6000-40-046	84/06/22	San Bernardino Community College District, California

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V. CONTRACT, GRANT, AND LOAN AUDIT REPORTS PROCESSED

The Inspector General reviewed and accepted 330 contract, grant, and loan audit reports prepared by independent public accountants, local, State, and other Federal auditors.

Bureau of the Census	2
Economic Development Administration	155
International Trade Administration	7
Minority Business Development Agency	4
Multiple Bureau Audits	2
National Bureau of Standards	4
National Oceanic and Atmospheric Administration	41
Office of the Secretary	7
OMB Circular A-102, Attachment P	106
OMB Circular A-110	2
TOTAL	330

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VI. INSPECTION REPORTS

AGENCY/SUBJECT	REPORT DATE
ADMINISTRATION	
Imprest Fund, Eastern Administrative Support Center Norfolk, Virginia	September 1984
INTERNATIONAL TRADE ADMINISTRATION	
Mid-America Trade Adjustment Assistance Center Little Rock, Arkansas	May 1984
Nashville District Office Nashville, Tennessee	September 1984
NATIONAL BUREAU OF STANDARDS	
Selected Functions of the Facilities Services Division Gaithersburg, Maryland	May 1984
Fabrication Technology Division Gaithersburg, Maryland	July 1984
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	
National Marine Fisheries Service, Southeast Region Law Enforcement Group St. Petersburg, Florida	April 1984
Weather Service Office Charlotte, North Carolina	May 1984
National Marine Fisheries Service, Enforcement Divisions' Confidential Funds Washington, D.C./Gloucester, Massachusetts/ St. Petersburg, Florida	June 1984
Followup Inspection—Purchasing and Imprest Fund Activities, Southeast Fisheries Center Miami, Florida	September 1984
Followup Inspection—Purchasing and Imprest Fund Activities, Environmental Research Laboratory's Atlantic Oceanographic and Meteorological Laboratory Miami, Florida	September 1984
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION	
Institute for Telecommunication Sciences Boulder, Colorado	May 1984
PATENT AND TRADEMARK OFFICE	
Physical Security Arlington, Virginia	June 1984
Examining Group 120 Arlington, Virginia	June 1984

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VII. REPORTS ISSUED IN DRAFT AS OF SEPTEMBER 30, 1984

AGENCY/SUBJECT	TYPE	REPORT DATE
ADMINISTRATION		
Senior Executive Service Employees' Use of Credit Hours	Audit	September 1984
ECONOMIC AFFAIRS		
Foreign Trade Division, Bureau of the Census	Inspection	September 1984
ECONOMIC DEVELOPMENT ADMINISTRATION		
Sudden and Severe Dislocation Program is Not Accomplishing its Objectives—Management Improvements are Needed	Audit	July 1984
INTERNATIONAL TRADE ADMINISTRATION		
VAX Computer Shipment to South Africa	Audit	March 1984
Activities Undertaken in Preparation for a 1984 Trade Fair in Beijing, China	Audit	September 1984
Regional Export Development Offices in Europe	Inspection	September 1984
MINORITY BUSINESS DEVELOPMENT AGENCY		
Minority Business Development Center Program	Audit	May 1984
New Mexico State Minority Business Development Program	Inspection	September 1984
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION		
Use of Overtime	Audit	August 1984
Weather Service Forecast Office, Memphis, Tennessee	Inspection	August 1984
Opportunities for Cost Reductions and Operational Efficiencies in Managing Fishery Resources	Audit	September 1984
Purchasing and Imprest Fund Activities at the Northeast Region, National Marine Fisheries Service Gloucester, Massachusetts	Inspection	September 1984
Purchasing and Imprest Fund Activities at the Northeast Fisheries Center, National Marine Fisheries Service Woods Hole, Massachusetts	Inspection	September 1984
Purchasing and Imprest Fund Activities at the Gloucester Laboratory Gloucester Massachusetts	Inspection	September 1984
UNITED STATES TRAVEL AND TOURISM ADMINISTRATION		
Regional Offices in London, Paris, and Frankfurt	Inspection	September 1984

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